



CITY OF LAWTON

FISCAL YEAR 2021

A Financial Statement Analysis Tool Using Indicators of Financial
Health and Success



WHAT IS THE PERFORMETER®?

- An analysis that takes a government's financial statements and converts them into useful and understandable measures of financial performance
- Financial ratios and a copyrighted analysis methodology are used to arrive at ratings from 0-10.
- The overall rating is a barometer of the entity's financial health and performance.

HOW TO USE THE PERFORMETER®

- Use the individual ratios to identify financial warning signals.
- Use the overall rating as a collective benchmark of financial health and success of the entity as a whole.
- Use the comparisons to prior years to monitor trends in financial indicators.

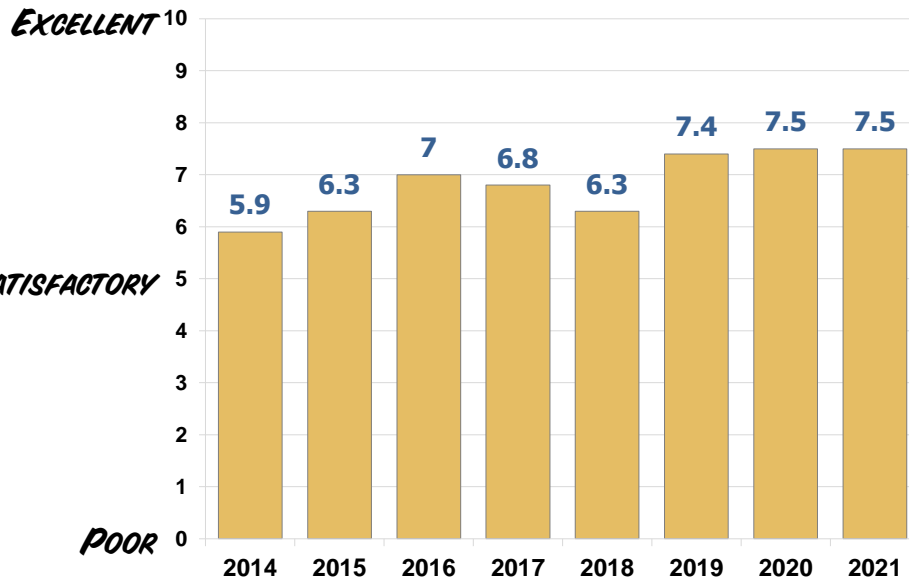
LIMITATIONS OF THE PERFORMETER®

- The Performer® should not be used as the only source of financial information to evaluate the entity's performance and condition.
- The analysis is an overall rating of the entity as a whole and not of specific activities, funds, or units.
- The Performer® is based on Crawford & Associates' professional judgment and is limited as to its intended use

PERFORMETER® RATING

WHAT IS THE STATE OF OUR OVERALL FINANCIAL CONDITION?

OVERALL RATING



For the 2021 fiscal year, the ratings by ratio category were as follows:

Financial Position	6.3
Financial Performance	9.5
Financial Capability	<u>6.0</u>
Overall Rating	7.5

The strongest component of the ratings is the City's financial performance in the current year, followed by the City's financial position and the City's financial capability as of and for the year ended June 30, 2021. The 2021 overall reading of 7.5 indicates the evaluator's opinion that Lawton's overall financial health and performance stayed consistent from the prior year, and remains well above satisfactory.

FY 21 OVERALL PERFORMETER® RATING: 7.5

FINANCIAL POSITION RATINGS

- This set of ratings serves to illustrate “point-in-time” measures of the entity’s financial status, solvency, and liquidity as of the date of its most recent annual financial statements.



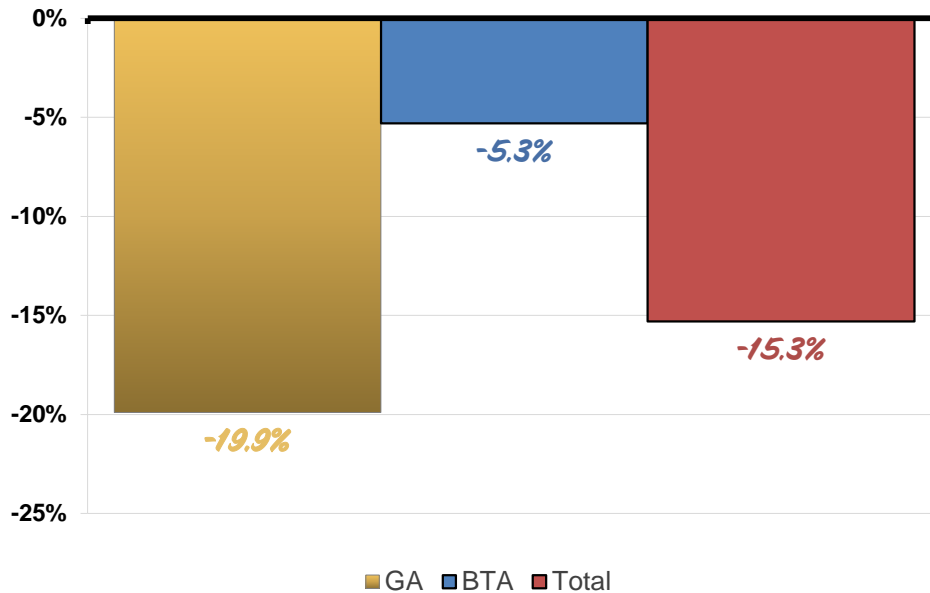
FINANCIAL POSITION RATINGS

Unrestricted Net Position	How do our total rainy day funds look?
General Fund Unassigned Fund Balance	How does our General Fund unassigned fund balance carryover position look?
Capital Asset Condition	How much life do we still have left in our capital assets?
Non-Uniformed Employee Pension Plan Funding	Will our non-uniform employees be happy with us when they retire?
OPEB Plan Funding	Will our employees be happy with us when they retire?
Assets to Debt	Who really owns the City?
Current Ratio	Will our employees and vendors be pleased with our ability to pay them on time?
Quick Ratio	How is our short-term cash position?

LEVEL OF UNRESTRICTED NET POSITION

HOW DO OUR TOTAL RAINY DAY FUNDS LOOK?

UNRESTRICTED NET POSITION (DEFICIT) AS A % OF ANNUAL REVENUES



The level of total unrestricted net position is an indication of the amount of unexpended and available resources the City has in all funds combined at a point in time to fund emergencies, shortfalls or other unexpected needs. In our model, 50% is considered excellent, while 30% is considered a desired minimum.

For the year ended June 30, 2021, the City's total unrestricted net position was in a deficit position that approximated \$24 million, equivalent to 15.3% of annual total revenues. This is considered an unfavorable position, well below our model's desire minimum of a positive 30%. However, it was a significant improvement when compared with the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021
-1.3%	-27.2%	-46.2%	-44.7%	-52.7%	-40.1%	-34.8%	-15.3%

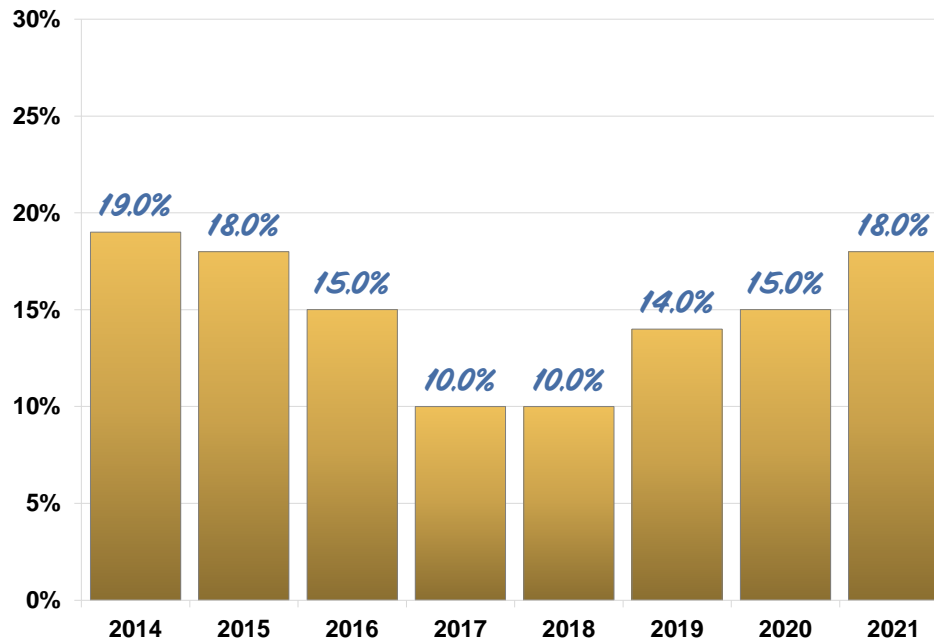
PERFORMETER®
RATING

0

LEVEL OF GENERAL FUND UNASSIGNED FUND BALANCE

HOW DOES OUR CARRYOVER LOOK?

UNASSIGNED FUND BALANCE AS A PERCENTAGE OF ANNUAL REVENUES



The level of unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources the City has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In our model, 10% is considered a minimum responsible level, while 30% is considered desirable.

For the year ended June 30, 2021, the City's unassigned fund balance of the General Fund (including any unassigned fund balance deficits of the City's other governmental funds) amounted to \$13 million or 18% of annual General Fund revenues. This is an increase from the ratio of the prior period, and it is considered above satisfactory.

**PERFORMETER®
RATING**

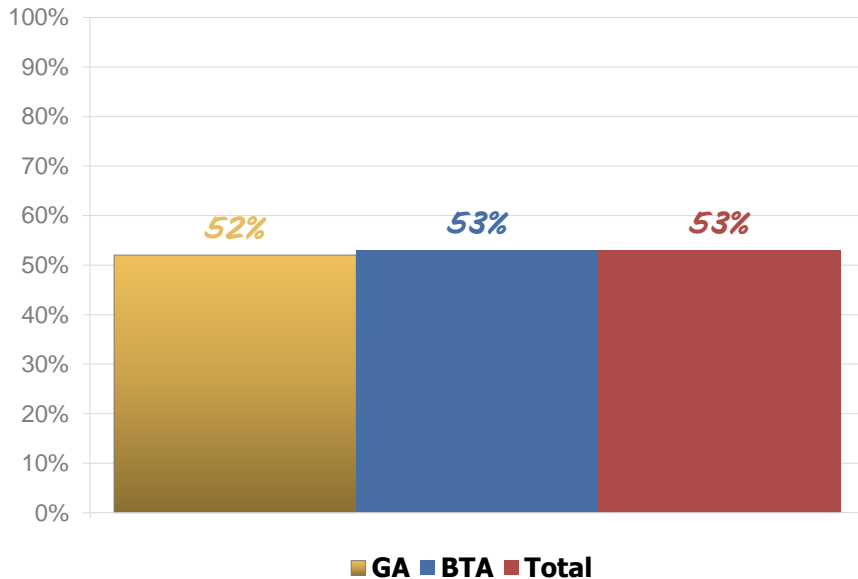
2014	2015	2016	2017	2018	2019	2020	2021
19%	18%	15%	10%	10%	14%	15%	18%

6.9

CAPITAL ASSET CONDITION

HOW MUCH USEFUL LIFE DO WE HAVE LEFT IN OUR CAPITAL ASSETS?

PERCENTAGE OF CAPITAL ASSETS' USEFUL LIFE REMAINING



The capital asset condition ratio compares depreciable capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets. For comparison purposes, we have removed the consideration of the cost of land and current construction-in-progress.

At June 30, 2021, the City's depreciable capital assets amounted to \$616 million while accumulated depreciation totaled \$292 million. This indicates that, on average, the City's capital assets have a little more than one-half (53%) of their useful lives remaining. This is consistent with the ratio from the prior year, and remains above the desired minimum of 50%

2014	2015	2016	2017	2018	2019	2020	2021
57%	55%	54%	54%	56%	55%	53%	53%

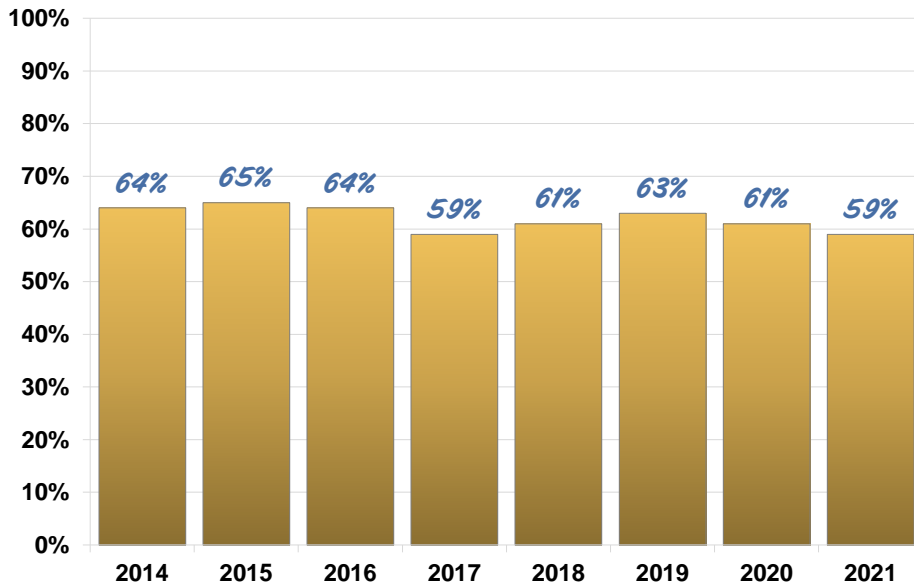
PERFORMETER®
RATING

5.5

NON-UNIFORMED EMPLOYEE PENSION PLAN FUNDING RATIO

WILL WE BE ABLE TO PAY OUR EMPLOYEES WHEN THEY RETIRE?

PENSION PLAN ASSETS AS A PERCENTAGE OF ACCRUED LIABILITY



The pension funding ratio compares the fair value of the OkMRF pension plan's net position to the total pension liability for pension benefits. A percentage less than 100% indicates the plan is underfunded at the valuation date. A funded percentage of 95% would be considered a 5, or satisfactory. This plan was closed to new entrants in March 2016.

At June 30, 2021, the City's pension plan assets were 59% of the total pension liability indicating the plan was a little less than two-thirds funded from an actuarial accounting perspective at the last valuation date. Although relatively consistent with the prior years, this remains an unfavorable ratio. Also, the funded ratio declined when compared to the ratio of the prior period. This ratio is based on relatively new GASB pension accounting standards implemented first in FY 2015, using an actuarial accounting perspective with a one year look-back period rather than a funding perspective applied from previous GASB standards.

2014	2015	2016	2017	2018	2019	2020	2021
64%	65%	64%	59%	61%	63%	61%	59%

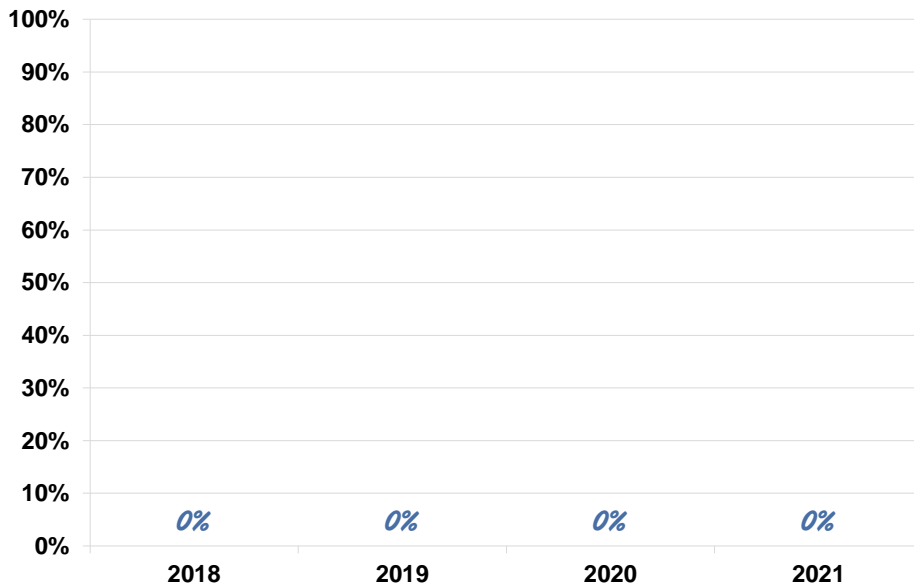
**PERFORMETER®
RATING**

0

OPEB PLAN FUNDING RATIO

WILL WE BE ABLE TO PAY FOR RETIREE HEALTH CARE IN THE FUTURE?

*PERCENTAGE OF TOTAL OPEB LIABILITY THAT IS
ADVANCE FUNDED*



The OPEB funding ratio compares the actuarial value of any retiree healthcare plan assets set aside in trusts for future benefits with the actuarial accrued liability for plan benefits. An “actuarial fully advance funded” plan would reflect a funding percentage of 100%. Whereas funding strategy for the OPEB benefits, a “pay-as-you-go” plan would report a funding percentage of 0%. The City has adopted a pay-as-you-go funding strategy for the OPEB Benefits

An accounting standard implemented in FY 2018 requires certain future retiree post employment healthcare costs to be recognized while the employee is providing service. The City has adopted a pay-as-you-go plan. As a result, there is no plan net position to offset the total OPEB liability of approximately \$13.3 million, and the ability to pay for these future benefits will be dependent on future resources and appropriations made to fund these costs.

2018	2019	2020	2021
0%	0%	0%	0%

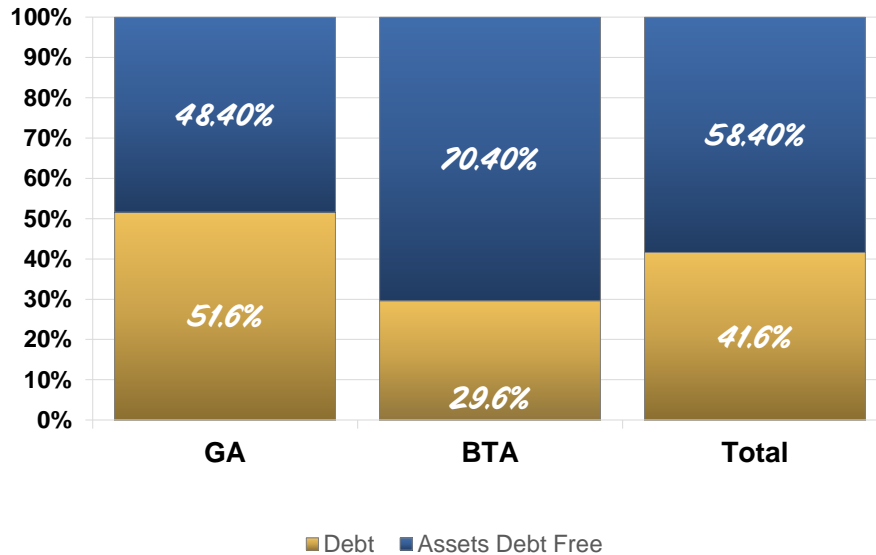
**PERFORMETER®
RATING**

0.0

DEBT TO ASSETS

WHO REALLY OWNS THE CITY'S ASSETS?

PERCENTAGE OF DEBT TO ASSETS



The debt to assets ratio measures the extent to which the City had funded its assets with debt. The lower the debt percentage, the more equity the City has in its assets.

At June 30, 2021, less than one half (42%) of the City's \$559 million of total assets were funded with debt or other obligations. This is considered an above satisfactory financial indicator and indicates that for each dollar of City assets owned, it owes 42 cents of that dollar to others, leaving a 58% equity in such assets. This ratio improved when compared with the prior year.

2014	2015	2016	2017	2018	2019	2020	2021
63%	58%	57%	52%	52%	56%	57%	58%

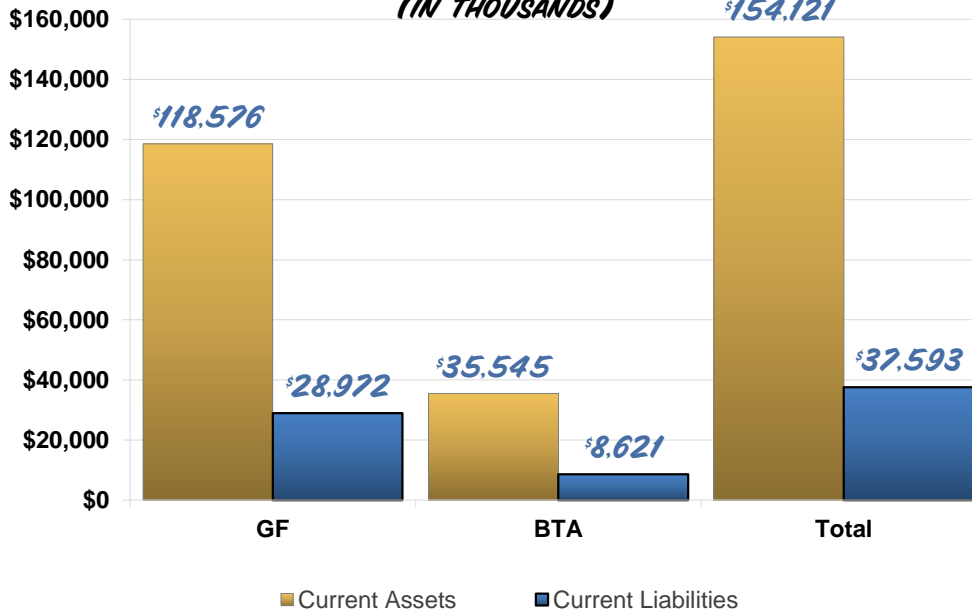
PERFORMETER®
RATING

6.0

CURRENT RATIO

WILL OUR VENDORS AND EMPLOYEES BE PLEASED WITH OUR ABILITY TO PAY THEM ON TIME?

**CURRENT ASSETS COMPARED TO CURRENT LIABILITIES
(IN THOUSANDS)**



The current ratio is one measure of the City's ability to pay its short-term obligations. The current ratio compares total current assets and current liabilities. A current ratio of 2.00 to 1 indicates a satisfactory current liquidity and an ability to meet the short-term obligations.

At June 30, 2021 the City had a government-wide ratio of current assets to current liabilities of 4.1 to 1. This indicates that the City had a little more than four times the amount of current assets needed to pay current liabilities. This is considered an excellent indicator of liquidity, but does reflect a slight decline when compared to the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021
2.66	4.63	4.96	5.18	4.16	4.45	4.59	4.10

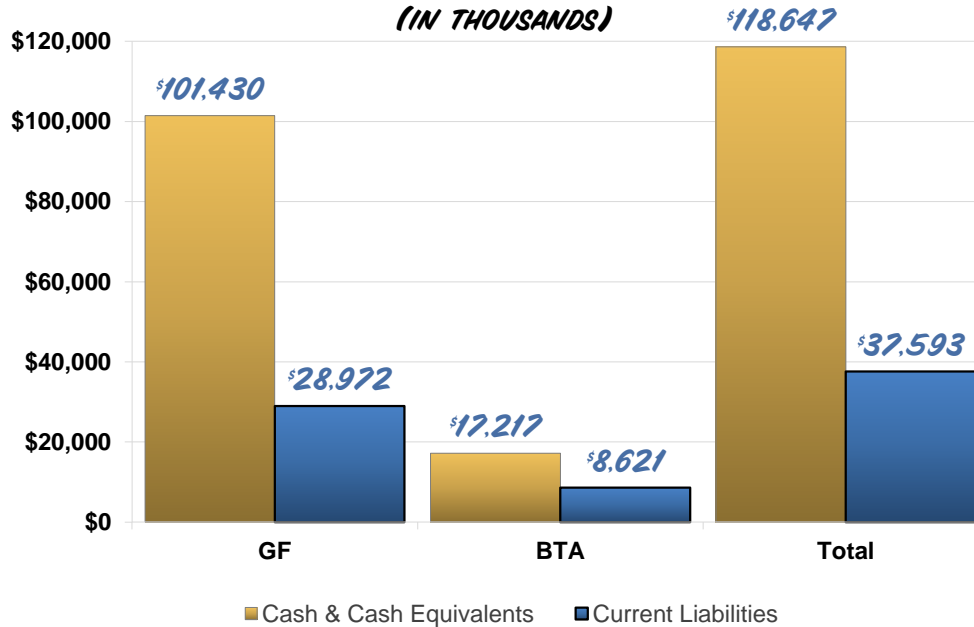
**PERFORMETER®
RATING**

10

QUICK RATIO

HOW IS OUR SHORT-TERM CASH POSITION?

**CASH AND CASH EQUIVALENTS COMPARED TO CURRENT LIABILITIES
(IN THOUSANDS)**



The quick ratio is another, more conservative, measure of the City's ability to pay its short-term operating obligations. The quick ratio compares total unrestricted cash and cash equivalents to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash on hand.

At June 30, 2021, the City had a government-wide ratio of cash and cash equivalents to current operating liabilities of 3.16 to 1. This indicates that the City had almost three and one fifth times the minimum amount of cash and cash equivalents needed to pay every \$1 in short-term operating obligations at year end. This is considered an excellent ratio in our model, and a slight improvement when compared to the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021
0.71	1.91	1.86	2.73	1.97	2.93	3.05	3.16

**PERFORMETER®
RATING**

10

FINANCIAL POSITION RATINGS

SUMMARY AND COMPARISON TO PRIOR YEARS



Ratio	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Unrestricted Net Position	-44.7%	-52.7%	-40.1%	-34.8%	-15.3%
General Fund Unassigned Fund Balance	10%	10%	14%	15%	18%
Capital Asset Condition	54%	56%	55%	53%	53%
Non-Uniformed Employee Pension Plan Funding	59%	61%	63%	61%	59%
OPEB Plan Funding	N/A	*0%	0%	0%	0%
Assets to Debt	52%	52%	56%	57%	58%
Current Ratio	5.18	4.16	4.45	4.59	4.10
Quick Ratio	2.73	1.97	2.93	3.05	3.16
Financial Position Rating	6.42	5.94	6.15	6.16	6.28

* 2018 is the first year that OPEB affects the ratio scoring

FINANCIAL PERFORMANCE RATINGS

- This set of ratings serves to illustrate “look-back” measures as to whether the entity’s financial position has been improving, deteriorating, or remaining steady.



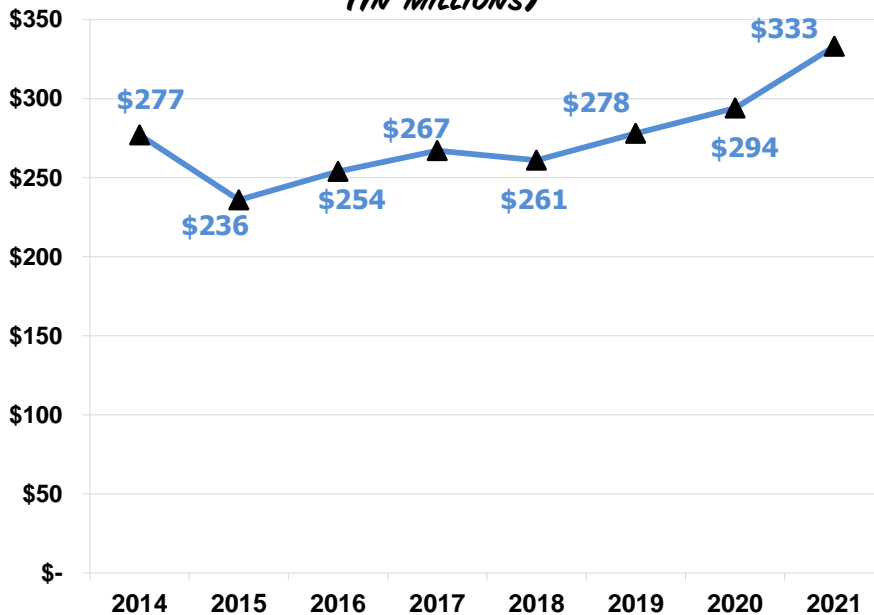
FINANCIAL PERFORMANCE RATINGS

Change in Net Position	Did our overall financial condition improve, decline, or remain steady from the past year?
Interperiod Equity	Who paid for the costs of current year services – current, past, or future tax and rate payers?
BTA Self-Sufficiency	Did current year business-type activities, such as utilities, pay for themselves?
Debt Service Coverage	Were our revenue bond and note investors pleased with our ability to pay them on time?
Sales Tax Growth	What is the state of our local economy?

CHANGE IN NET POSITION

DID OUR OVERALL FINANCIAL POSITION IMPROVE, DECLINE OR REMAIN STEADY OVER THE PAST YEAR?

NET POSITION AT YEAR END
(IN MILLIONS)



Net position include all assets and deferred outflows, and all liabilities and deferred inflows of the City, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets and deferred outflows, including capital assets, and total liabilities and deferred inflows, including long-term debt. Net position increases as a result of earning more revenue than expenses incurred in the fiscal year.

For the year ended June 30, 2021, total net position increased by \$39.2 million, or 13.3% from the prior year. Governmental activities net position increased by \$39,884,017, while business-type activities net position decreased by \$724,710.

2014	2015	2016	2017	2018	2019	2020	2021
+6.7%*	+6.8%*	+7.6%	+4.9%*	+4.9%*	+6.6%	+5.5%	+13.3%*

PERFORMETER®
RATING

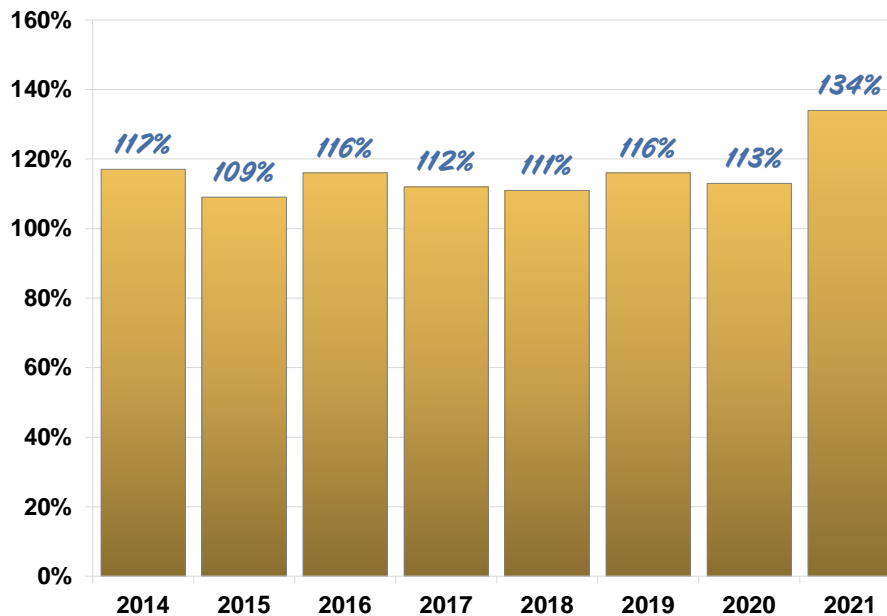
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*Beginning balance restated

INTERPERIOD EQUITY

WHO IS PAYING FOR TODAY'S COSTS OF SERVICES?

REVENUES AS A % OF ANNUAL EXPENSES



Interperiod equity is achieved when the cost of current services are paid by current year tax and rate payers. When current year costs are subsidized by prior year resources carried over or from debt proceeds, it can be said that interperiod equity was not achieved, and either past or future tax and rate payers helped fund the costs of current year services.

For the year ended June 30, 2021, the City's total costs were fully funded by current year tax and rate payers, with current year revenues, excluding fund balance carryovers, generating a level of 134% of current year costs. This ratio is considered to be excellent in our model.

2014	2015	2016	2017	2018	2019	2020	2021
117%	109%	116%	112%	111%	116%	113%	134%

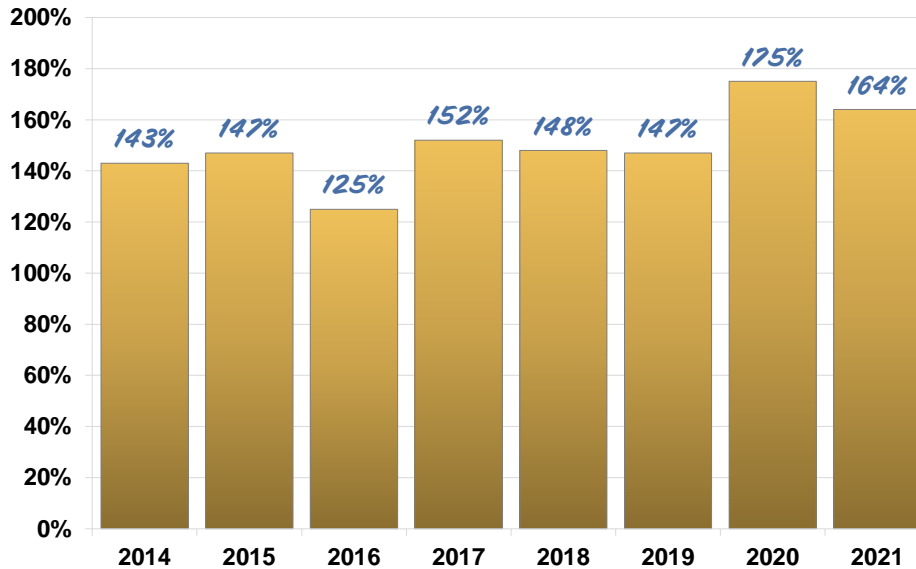
**PERFORMETER®
RATING**

10

BTA SELF-SUFFICIENCY

DID CURRENT YEAR BUSINESS-TYPE ACTIVITIES (BTA) PAY FOR THEMSELVES?

PERCENTAGE OF BTA EXPENSES COVERED BY BTA REVENUES



The self-sufficiency ratio indicates the level at which business-type activities (utilities) covered their current costs with current year revenues, without having to rely on subsidies or use of prior year reserves.

For the year ended June 30, 2021, the City's business-type activities were 164% self-sufficient in total. This indicates that all of the current year costs were funded by current year revenues in addition to generating some additional resources. Although this is a decline from the ratio calculated in the prior year, it is still considered an excellent ratio.

2014	2015	2016	2017	2018	2019	2020	2021
143%	147%	125%	152%	148%	147%	175%	164%

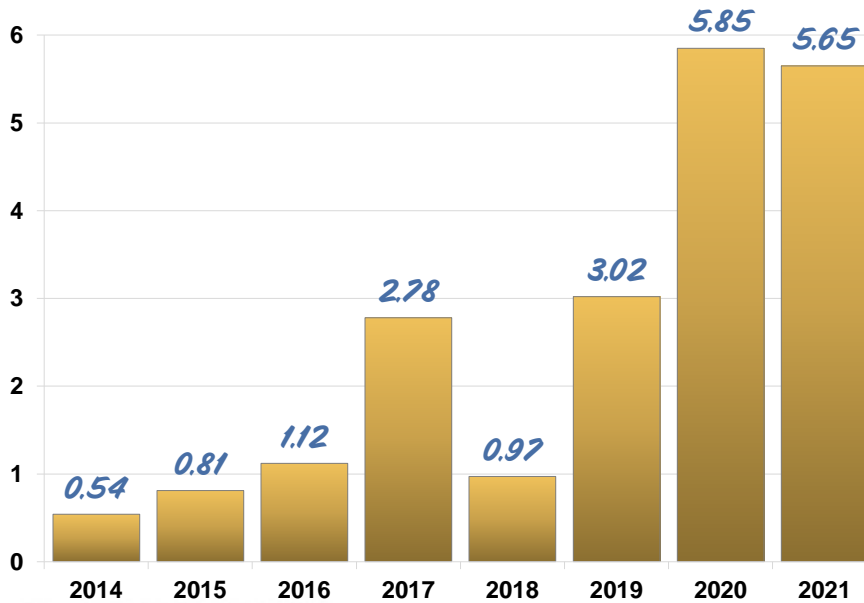
**PERFORMETER®
RATING**

10

DEBT SERVICE COVERAGE

WERE OUR REVENUE BOND INVESTORS PLEASED WITH OUR ABILITY TO PAY THEM ON TIME?

NUMBER OF TIMES NET PLEDGED REVENUES COVER ANNUAL DEBT SERVICE



The debt service coverage ratio compares the City's debt service requirements on revenue bonds to the net operating cash generated by the revenue streams pledged for payment. A debt service ratio of greater than 1.00 indicates a sufficient ability to make the debt service payments from net revenue from operations.

For the year ended June 30, 2021, the City experienced an excellent debt service coverage ratio of 5.65. Although it represents a slight decrease from the ratio in the prior year, it still remains an excellent ratio. This indicates the City generated over five and three-fifths times the amount of cash necessary to pay the debt service requirements on its revenue bonds and notes.

2014	2015	2016	2017	2018	2019	2020	2021
0.54	0.81	1.12	2.78	0.97	3.02	5.85	5.65

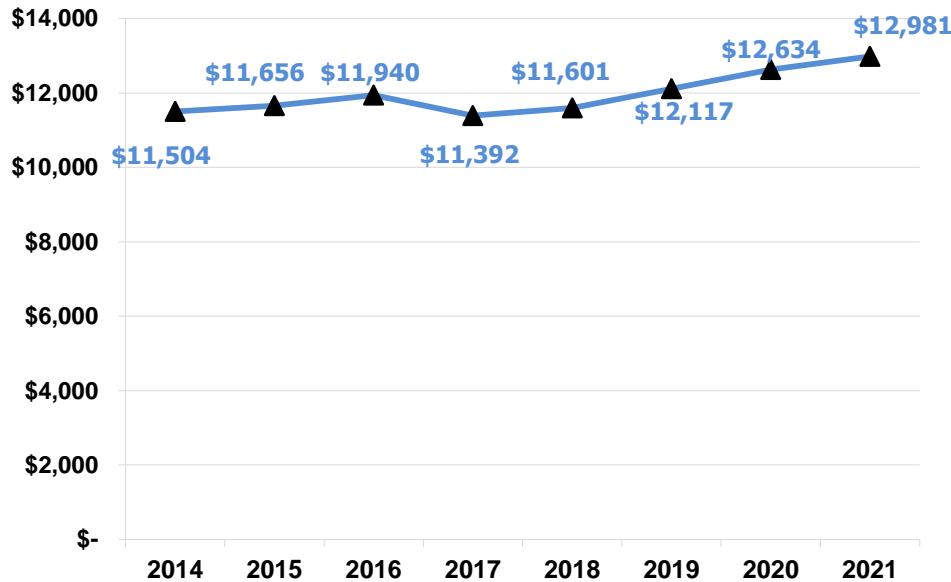
**PERFORMETER®
RATING**

10

SALES TAX GROWTH

WHAT IS THE STATE OF OUR LOCAL ECONOMY?

SALES AND USE TAX REVENUE PER ONE-CENT TAX
(IN THOUSANDS)



Due to the inability of Oklahoma municipalities to levy a property tax for operations, the City is highly dependent on sales and use tax revenue to fund its general governmental activities.

Sales tax growth is a measure of the state of our local economy by comparing revenue collected to the prior year in terms of the change per one-cent tax.

For the year ended June 30, 2021, the City experienced an increase in sales tax collections per one-cent in the amount of 2.7% from the prior year. The Sales Tax Rate of 4.125% was in effect for the entire year. This is considered well above satisfactory in our model.

2014	2015	2016	2017	2018	2019	2020	2021
+4.0%	+1.3%	+2.4%	-4.6%	+1.8%	+4.5%	+4.3%	+2.7%

PERFORMETER®
RATING

2.7

FINANCIAL PERFORMANCE RATINGS

SUMMARY AND COMPARISON TO PRIOR YEARS

Ratio	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Change in Net Position	4.9%	4.9%	6.6%	5.5%	+13.3%
Interperiod Equity	112%	111%	116%	113%	134%
BTA Self Sufficiency	152%	148%	147%	175%	164%
Debt Service Coverage	2.78	0.97	3.02	5.85	5.65
Sales Tax Growth	-4.6%	1.8%	4.5%	4.5%	2.7%
Financial Performance Rating	7.4	7.1	9.5	9.4	9.5

FINANCIAL CAPABILITY RATINGS

- This set of ratings serves to illustrate “look-forward” measures of the government’s ability to obtain resources in the form of revenues or borrowings in order to finance the services its constituency requires.



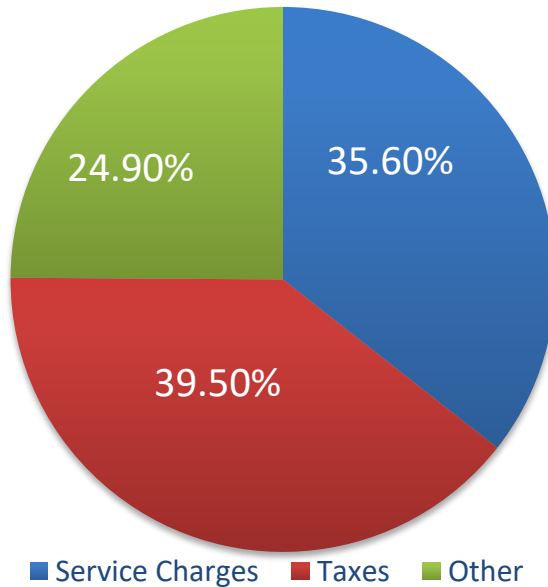
FINANCIAL CAPABILITY RATINGS

Revenue Dispersion	How much of our revenue is beyond our direct control?
Debt Service Load	How heavily is our budget loaded with payments to retire long-term debt?
Bonded Debt Per Capita	What is the debt burden on our property tax payers?
Legal Debt Limit Remaining	Will we be legally able to issue more long-term debt if needed?
Property Taxes Per Capita	Will our citizens be willing to approve property tax increases if needed?
Local Sales Tax Rate	Will our citizens be willing to approve sales tax increases if needed?

REVENUE DISPERSION

HOW HEAVILY ARE WE RELYING ON REVENUE SOURCES BEYOND OUR DIRECT CONTROL?

2021 REVENUE PERCENTAGES BY SOURCE



The percentage dispersion of revenue by source indicates how dependent the City is on certain types of revenue. The more dependent the City is on revenue sources beyond its direct control, such as taxes requiring voter approval or revenues from other governments such as grants, the less favorable the dispersion.

For the year ended June 30, 2021, the City had direct control over 36% (service charges) of its revenues. This ratio indicates the City has some limited exposure, as do most cities, to financial difficulties due to reliance (64%) on taxes that require voter approval and on grants, contributions and other revenue.

2014	2015	2016	2017	2018	2019	2020	2021
58%	58%	61%	56%	57%	58%	57%	64%

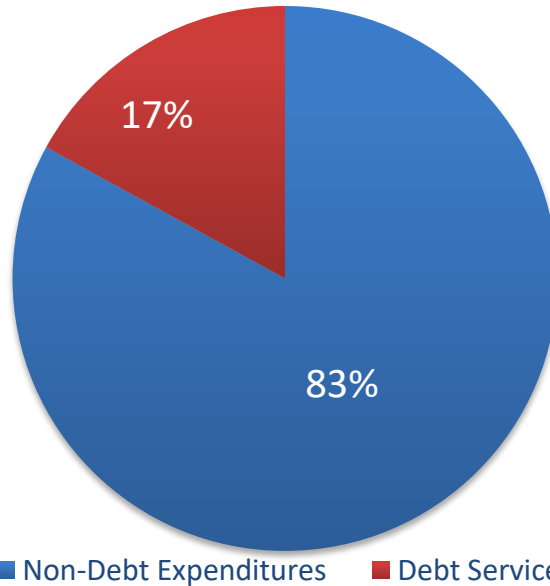
**PERFORMETER®
RATING**

3.2

DEBT SERVICE LOAD

HOW MUCH OF OUR ANNUAL NON-CAPITAL BUDGET IS LOADED WITH DISBURSEMENTS TO PAY OFF LONG-TERM DEBT?

PERCENTAGE OF DEBT SERVICE AND NON-DEBT EXPENDITURES



The debt service load ratio measures the extent to which the City’s non-capital expenditures City-wide were comprised of debt service payments on long-term debt.

For the year ended June 30, 2021, the City’s total non-capital expenditures amounted to \$105 million of which \$17 million (or 17%) were payments for principal and interest on long-term debt. In our model, this is considered an above satisfactory financial indicator and indicates that for every dollar the City spent on non-capital items, only 17 cents of that dollar was used for debt service.

2014	2015	2016	2017	2018	2019	2020	2021
42%	33%	16%	15%	27%	19%	15%	17%

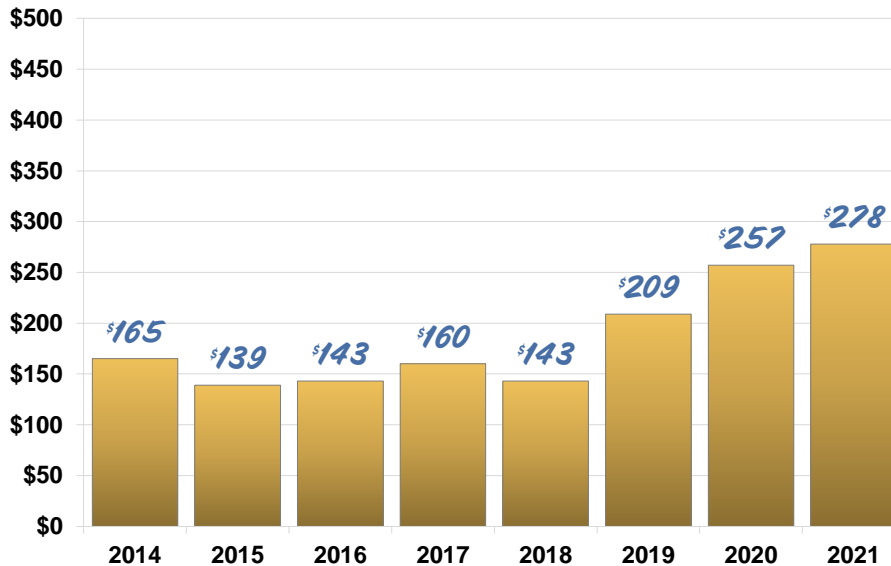
**PERFORMETER®
RATING**

6.1

BONDED DEBT PER CAPITA

WHAT IS THE DEBT BURDEN ON OUR PROPERTY TAX PAYERS?

GENERAL BONDED DEBT PER CAPITA



The financial ratio of general bonded debt per capita is an indication of the City's debt burden on its citizens and other taxpayers related to general obligation debt payable from property taxes. The ratio does not consider debt payable from enterprise activities or alternate revenues.

For the year ended June 30, 2021 the City had \$26.9 million of general obligation bonds outstanding. The City's general bonded debt per capita in 2021 amounted to \$278. This is a slight increase in the ratio when compared to the prior year, and considered an above satisfactory rating of general bonded debt burden in our model.

2014	2015	2016	2017	2018	2019	2020	2021
\$165	\$139	\$143	\$160	\$143	\$209	\$257	\$278

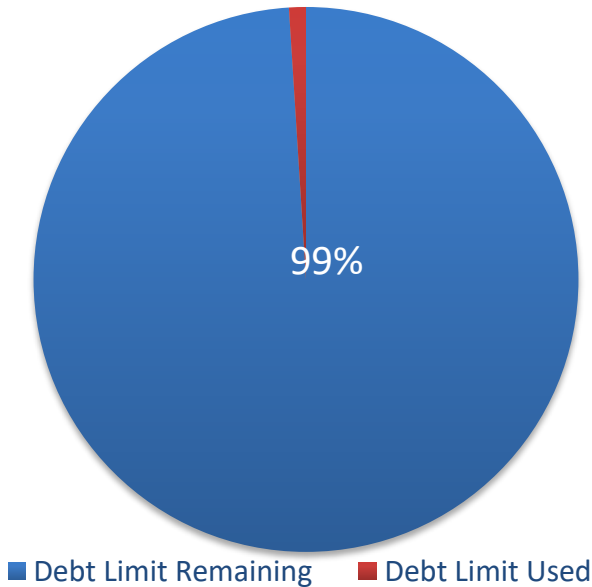
**PERFORMETER®
RATING**

7.2

LEGAL DEBT LIMIT REMAINING

WILL WE BE ABLE TO ISSUE MORE DEBT, IF NEEDED?

PERCENTAGE OF LEGAL DEBT LIMIT USED VERSUS REMAINING



Oklahoma law limits certain types of general obligation debt to no more than 10% of the City's net assessed valuation of taxable property.

For the year ended June 30, 2021, the City had approximately \$0.5 million of general obligation debt applicable to this legal debt limit. This means that at year end, the City had \$43.9 million or 99% of its legal general obligation debt limit remaining.

2014	2015	2016	2017	2018	2019	2020	2021
94%	94%	95%	96%	97%	97%	98%	99%

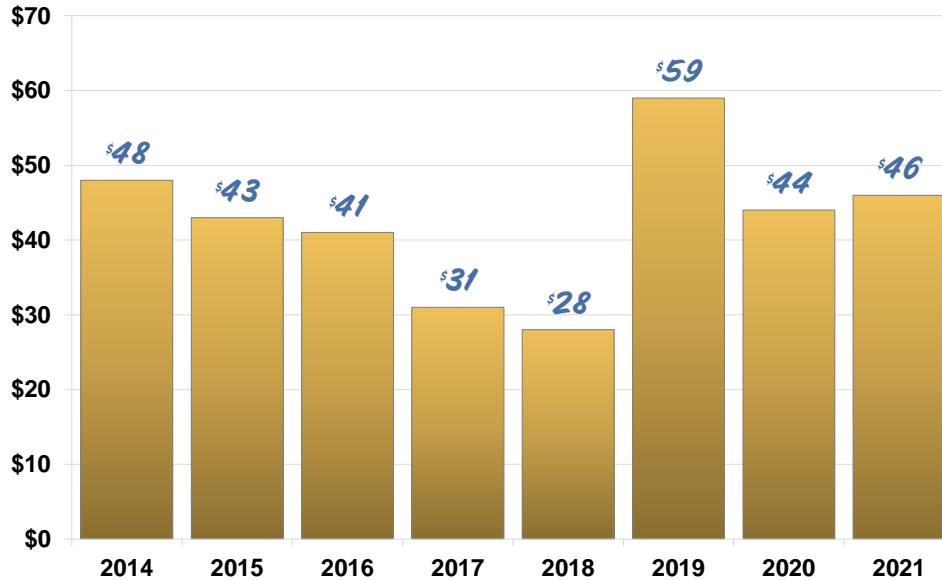
**PERFORMETER®
RATING**

9.9

PROPERTY TAXES PER CAPITA

WILL OUR CITIZENS BE WILLING TO APPROVE PROPERTY TAX INCREASES, IF NEEDED?

TOTAL PROPERTY TAXES PER CAPITA



The financial ratio of property taxes per capita is an indication of the City's property tax burden on its citizens and other taxpayers. Constitutionally, Oklahoma municipalities may only levy a property tax to retire general obligation bonded debt and judgments.

For the year ended June 30, 2021, the total property taxes levied amounted to approximately \$4,494,279 or \$46 per capita. This indicates a satisfactory property tax burden in our model and a slight increase in the ratio from the prior year.

2014	2015	2016	2017	2018	2019	2020	2021
\$48	\$43	\$41	\$31	\$28	\$59	\$44	\$46

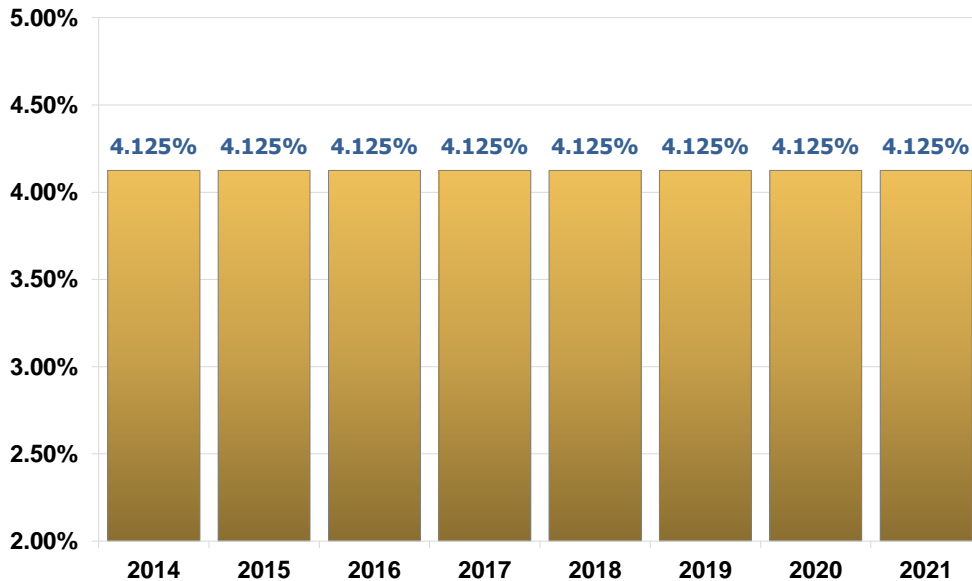
**PERFORMETER®
RATING**

5.4

LOCAL SALES TAX RATE

WILL OUR CITIZENS BE WILLING TO APPROVE SALES TAX INCREASES, IF NEEDED?

SALES TAX RATE



For Oklahoma municipalities, sales tax is the primary source of funding for general government operations. Sales tax rates cannot be increased without voter approval. In our model, a 2% tax rate is considered excellent from the financing margin perspective, while 5% rate is considered a high rate and therefore weak in terms of increase ability margin.

For the year ended June 30, 2021, the City's sales tax rate in effect was 4.125%. This is unchanged from the prior period.

2014	2015	2016	2017	2018	2019	2020	2021
4.125%	4.125%	4.125%	4.125%	4.125%	4.125%	4.125%	4.125%

**PERFORMETER®
RATING**

2.9

FINANCIAL CAPABILITY RATINGS

Ratio	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue Dispersion	56%	57%	58%	57%	64%
Debt Service Load	15%	27%	19%	15%	17%
General Bonded Debt per Capita	\$160	\$143	\$209	\$257	\$278
Remaining Legal Debt Margin	96%	97%	97%	98%	99%
Property Taxes per Capita	\$31	\$28	\$59	\$44	\$46
Sales Tax Rate	4.125%	4.125%	4.125%	4.125%	4.125%
Financial Capability Rating	6.4	5.6	5.8	6.2	6.0

THANK YOU!

- We would like to commend and thank the City of Lawton for allowing us to present this financial analysis. We hope it serves as a useful and understandable complement to the annual financial report.
- Visit our website at www.crawfordcpas.com for other useful tools for governments.