



THE
PERFORMETER®

A Financial Statement Analysis of
The City of Shawnee, Oklahoma
As of and for the year ended June 30, 2018



Crawford & Associates, P.C.

What is a Performer[®]?

An analysis that takes governmental 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 an overall rating of 0-10

The overall reading is a barometer of the City's financial health and performance

How to Use the Performer[®]

Use the individual ratios to identify financial warning signs – the ratios are combined into three categories

Financial position ratios – that measure financial health at year end

Financial performance ratios - that measure changes in financial position from the prior year

Financial capability ratios - that measure the ability to raise revenue or issue debt in the future, if needed

Use the overall rating as a collective benchmark of financial health and success of the City as a whole

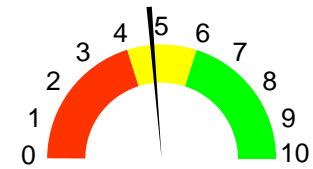
Use the comparisons to prior years to monitor trends in financial indicators

Limitations of the Performer[®]

The Performer[®] should not be used as the only source of financial information to evaluate financial health and performance

The analysis is an overall rating of the City 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

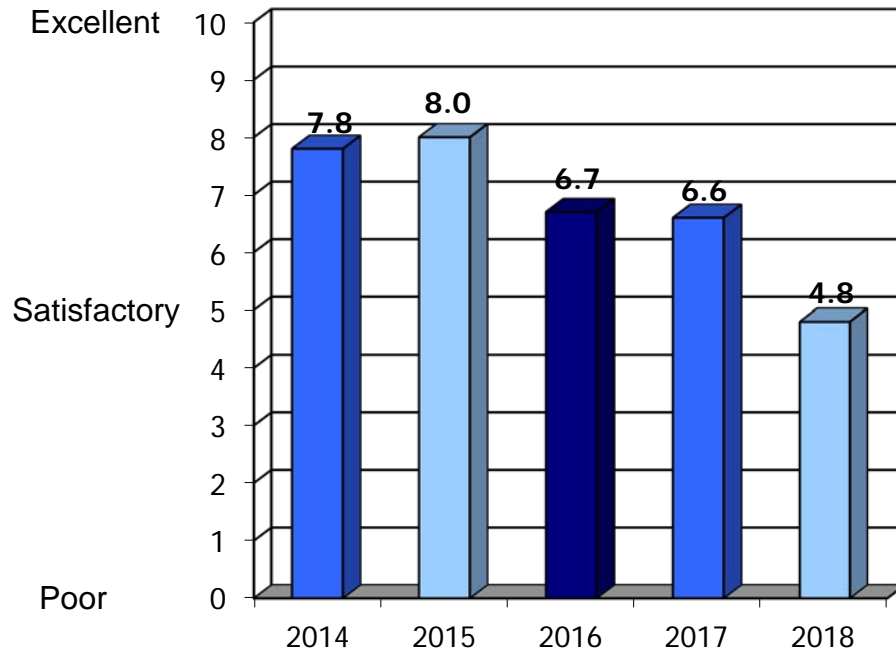


Performer[®] Reading

For the 2018 fiscal year, the readings by ratio category were as follows:

Financial Position	2.0
Financial Performance	5.0
Financial Capability	<u>8.2</u>
Overall Rating	4.8

Overall Reading

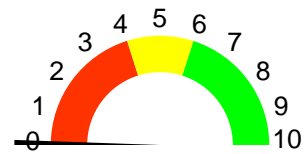


The strongest component of the ratings was the City's financial capability over the past year. However the City's financial performance at June 30, 2018 also reflects an above satisfactory rating. The City's financial position is the lowest component of the City's ranking. The 2018 overall reading of **4.8** indicates the evaluator's opinion that Shawnee's overall financial health is slightly below satisfactory, and continues a pattern of decreases in the scoring ratio when compared with the prior years presented.

Performer[®] Ratios

Financial Position Ratios

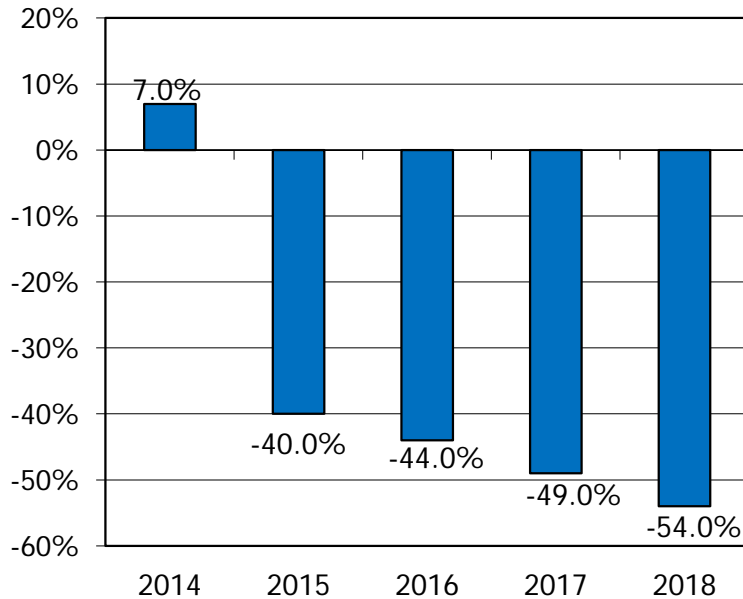
Unrestricted Net Position	How do our total rainy day funds look?
General Fund Unassigned Fund Balance	How does our General Fund unassigned fund balance carryover position look?
Capital Asset Condition	How much life do we still have left in our capital assets?
OPEB Plan Funding	Will our employees be happy with us when they retire as far as health is concerned?
Pension Plan Funding	Will we be able to pay our employees pensions costs 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?

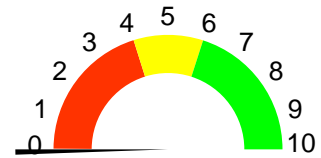
Unrestricted Net Position as a Percentage of Annual Revenues



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, 2018, the City's total unrestricted net position was in a deficit, or negative position of approximated \$22.1 million or -54% of annual total revenues. This is considered an unfavorable position to be in, and well below our model's desired minimum of a positive 30%.

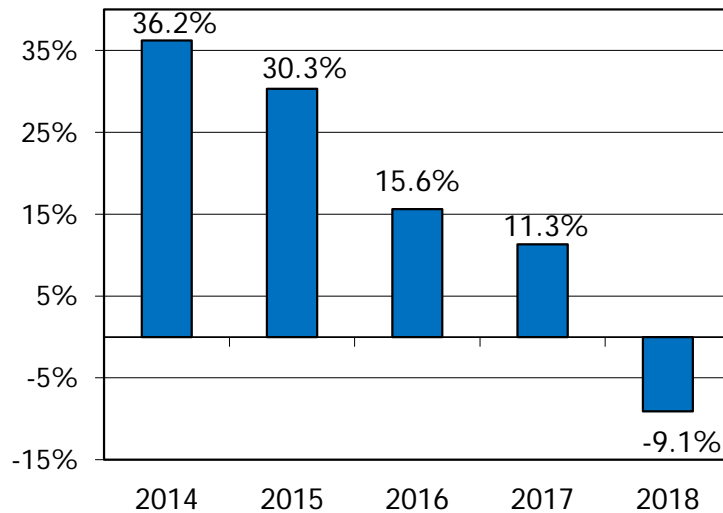
2014	2015	2016	2017	2018
7%	-40%	-44%	-49%	-54%



Level of General Fund Unassigned Fund Balance

How does our General Fund unassigned fund balance carryover position look?

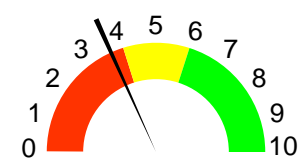
General Fund Unassigned Fund Balance as a Percentage of Annual Revenues



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, 2018, the City's unassigned fund balance of the General Fund amounted to a deficit of \$1.8 million or -9.1% of annual General Fund revenues. This represents a significant decline in the ratio when compared to the ratio of the prior years.

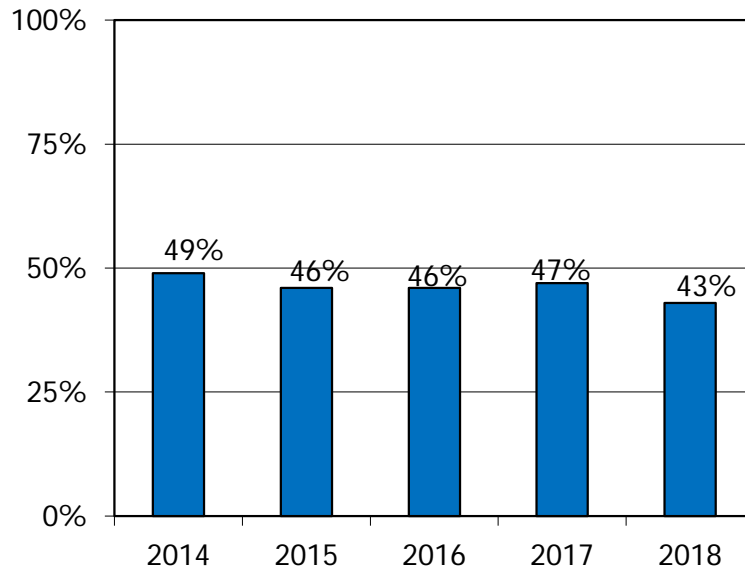
2014	2015	2016	2017	2018
36.2%	30.3%	15.6%	11.3%	-9.1%



Capital Asset Condition

How much useful life do we have left in our capital assets?

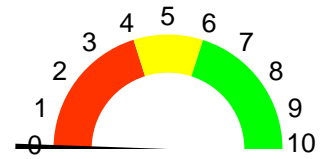
Percentage of Capital Assets' Useful Life Remaining



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, 2018, the City's depreciable capital assets amounted to \$193 million while accumulated depreciation totaled \$109 million. This indicates that, on average, the City's capital assets have less than one-half (43%) of their useful lives remaining. This is a less than satisfactory financial indicator in our model and continues a relatively consistent downward trend.

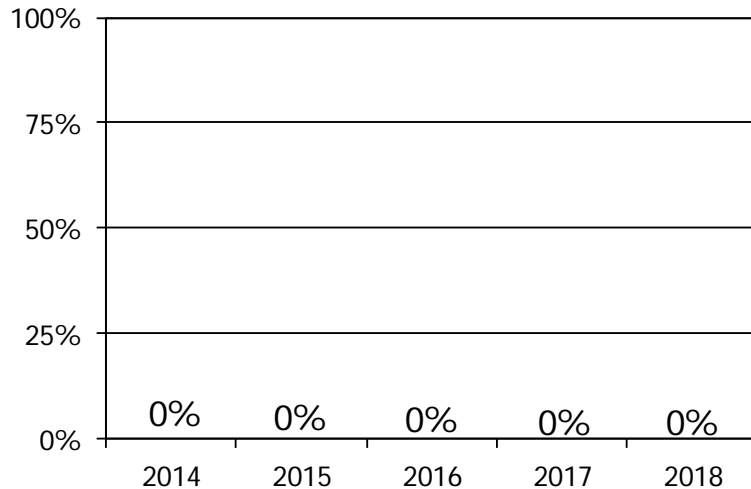
2014	2015	2016	2017	2018
49%	46%	46%	47%	43%



OPEB Plan Funding Ratio

Will we be able to pay for retiree health care in the future?

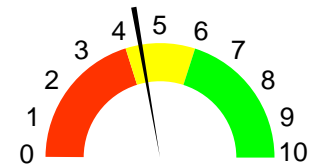
Percentage of Total OPEB Liability That is Advance Funded



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 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 \$4.6 million, and the ability to pay for these future benefits will be dependent on future resources and appropriations made to fund these costs.

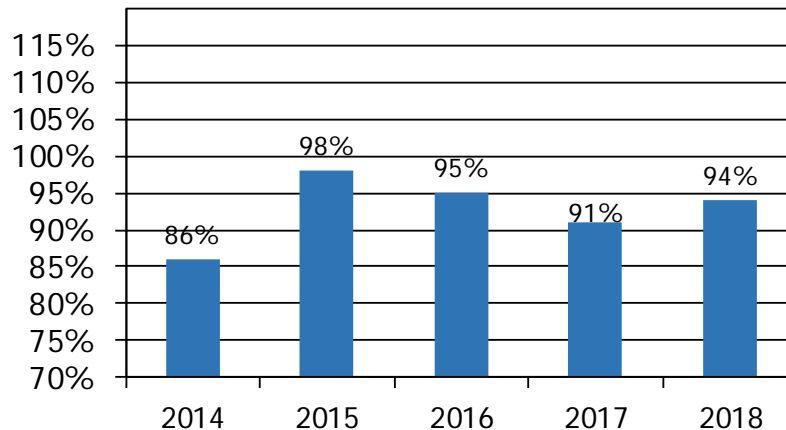
2014	2015	2016	2017	2018
0%	0%	0%	0%	0%



OkMRF Agent Multi-Employer Pension Plan Funding Ratio

Will we be able to pay our non-uniformed employees' pensions costs when they retire?

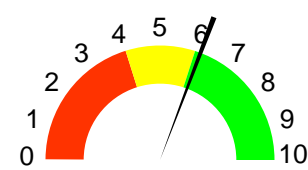
Pension Plan Assets as a Percentage of Accrued Liability



The pension funding ratio compares the City's OkMRF pension plan net position, comprised mainly of the fair value of the City's investments held in a pension plan trust, to the actuarial determined total pension liability that has been accrued for pension benefits. A percentage less than 100% indicates the plan is underfunded at the valuation date.

At June 30, 2018, the City's OkMRF pension plan net position was 94% of the total pension liability, indicating that the plan was not fully funded, from an actuarial perspective, at the last valuation date. This does represent an increase from the prior years' ratio but it is still considered a slightly below satisfactory ratio. This ratio does not include the funded status of the State's cost-sharing plans for police and fire employees.

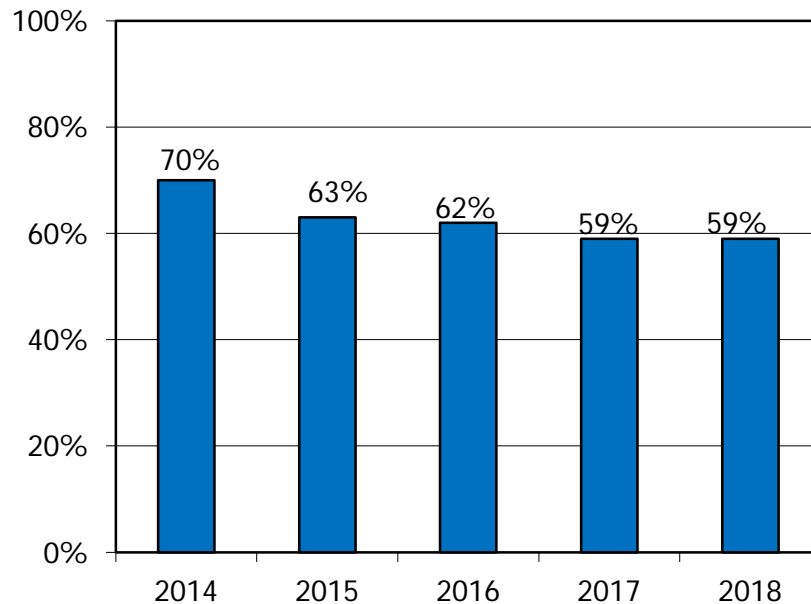
2014	2015	2016	2017	2018
86%	98%	95%	91%	94%



Assets to Debt

Who really owns the City?

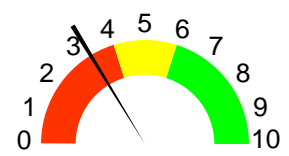
Percentage of Equity in Assets



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

At June 30, 2018, 41% of the City's \$121 million of total assets were funded with debt or other obligations, leaving 59% as equity. This indicates that for each dollar of City assets owned, it owes 41 cents of that dollar to others. This is considered to be an above satisfactory ratio and represents no change from the ratio of the prior year.

2014	2015	2016	2017	2018
70%	63%	62%	59%	59%



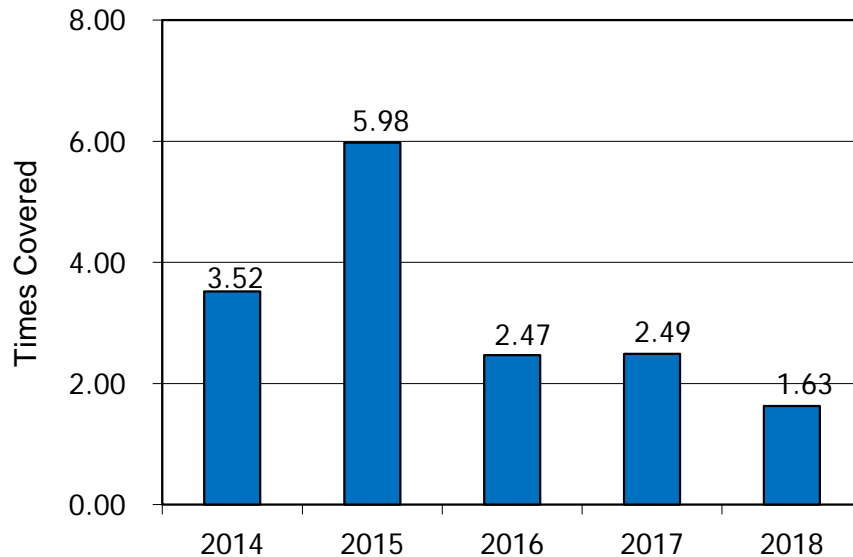
Current Ratio

_____ Will our employees and vendors be pleased with our ability to pay them on time?

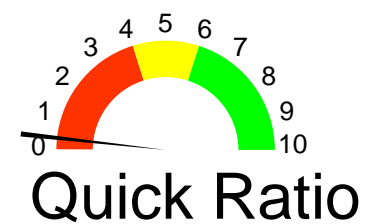
The current ratio is one measure of the City's ability to pay its short-term obligations. The current ratio compares total current assets and current liabilities. A current ratio of 2.00 to 1 indicates a satisfactory current liquidity and an ability to meet the short-term obligations.

At June 30, 2018, the City had a government-wide ratio of current assets to current liabilities of 1.63 to 1. This indicates that the City had nearly one and two-thirds times the amount of current assets needed to pay current liabilities. This is considered an less than satisfactory indicator of liquidity, and does represent a decrease in the ratio when compared to the ratio of the prior period.

Current Assets Compared to Current Liabilities

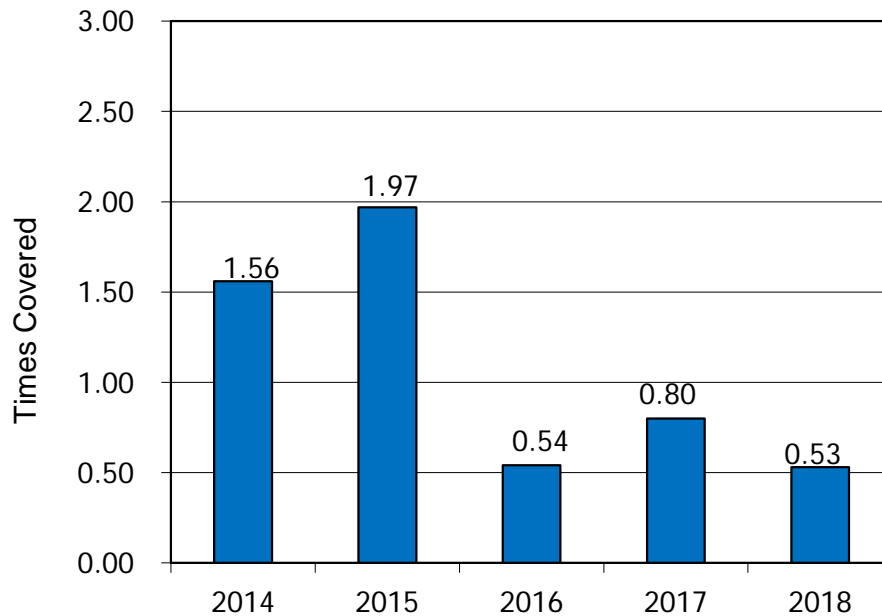


2014	2015	2016	2017	2018
3.52	5.98	2.47	2.49	1.63



How is our short-term cash position?

Unrestricted Cash and Cash Equivalents
Compared to Current Liabilities



The quick ratio is another, more conservative, measure of the City's ability to pay its short-term operating obligations. Our 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, 2018, the City had a government-wide ratio of unrestricted cash and cash equivalents to current liabilities of 0.53 to 1. This indicates that the City had a little over one-half the amount of cash and cash equivalents needed to pay short-term operating obligations at year end. This ratio is considered an unfavorable rating and represents a decrease when compared to the ratio of prior period.

2014	2015	2016	2017	2018
1.56	1.97	0.54	0.80	0.53

Financial Position Ratios

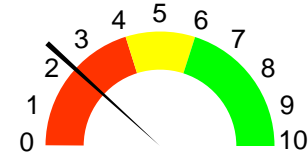
Summary and Comparison to Prior Years

Ratio	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Unrestricted Net Position	7%	-40 %	-44%	-49%	-54%
General Fund Unassigned Fund Balance	36.2%	30.3%	15.6%	11.3%	-9.1%
Capital Asset Condition	49%	46%	46%	47%	43%
OPEB Plan Funding	0%	0%	0%	0%	0%
Pension Plan Funding	86%	98%	95%	91%	94%
Assets to Debt	70%	63%	62%	59%	59%
Current Ratio	3.52	5.98	2.47	2.49	1.63
Quick Ratio	1.56	1.97	0.54	0.80	0.53
Financial Position Performer Score	6.7	7.2	4.3	4.4	2.0

Performer[®] Ratios

Financial Performance Ratios

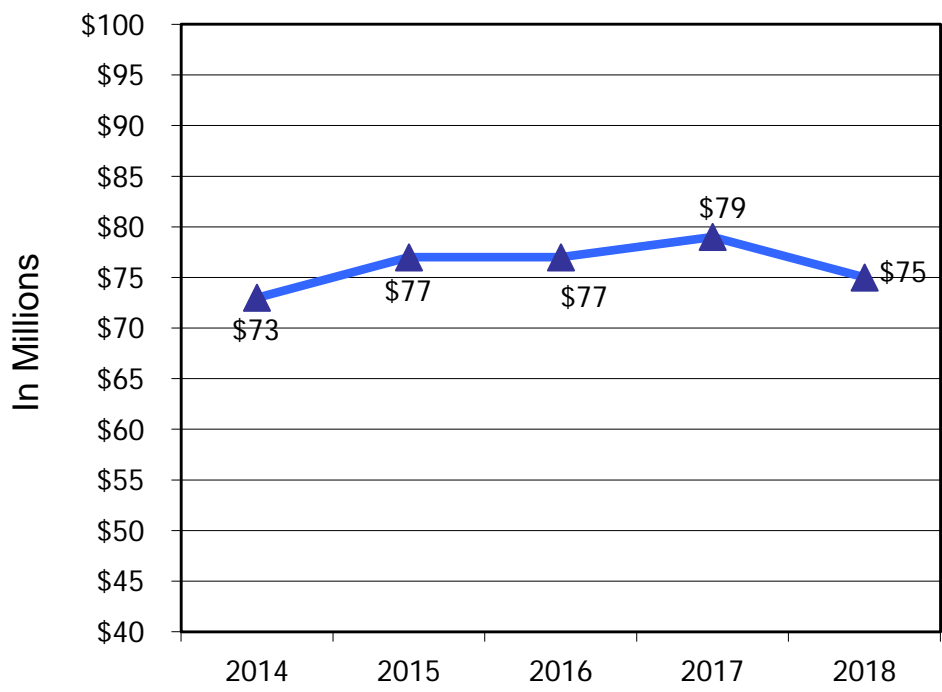
Change in Net Position	Did our overall financial condition improve, decline, or remain steady from the past year?
Interperiod Equity	Who paid for the costs of current year services – current, past, or future tax and rate payers?
BTA Self-Sufficiency	Did current year business-type activities, such as 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 condition improve, decline or remain steady from the past year?

Net Position at Year End



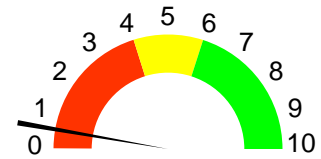
Net position include all assets and deferred outflows, and all liabilities and deferred inflows of the City, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets and deferred outflows, including capital assets, and total liabilities and deferred 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, 2018, total net position decreased by approximately \$4.3 million, or 5.4% from the prior year beginning net position.

2014	2015	2016	2017	2018
+4.2%	+5.2%*	-0.1%	+2.2%	-5.4%*



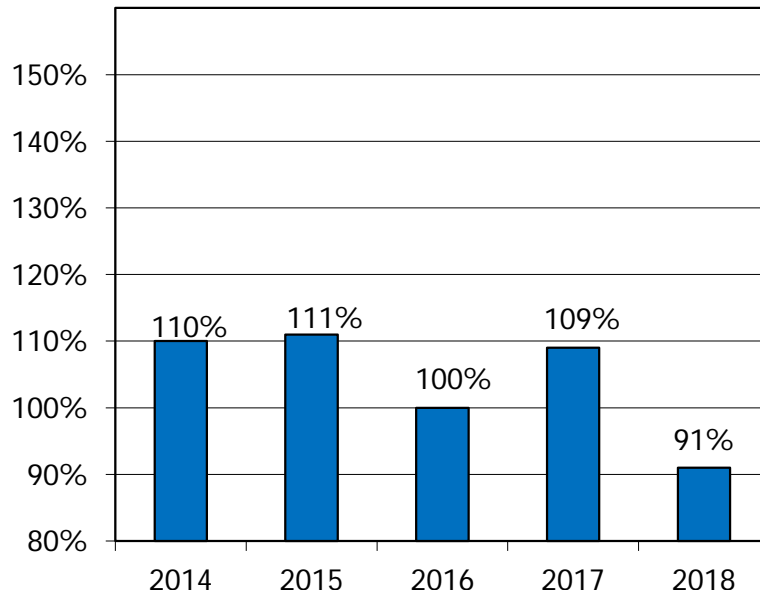
* Beginning balance restated for new accounting principles



Interperiod Equity

Who paid for the costs of current year services – current, past or future tax and rate payers?

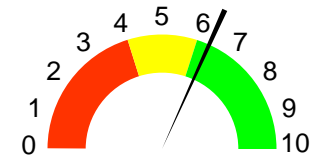
Current Year Revenues as a Percentage of Current Year Costs



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, 2018, the City's total costs were not fully funded by current year tax and rate payers, with current year revenues, excluding fund balance carryovers, generating revenues at a level of 91% of current year costs.

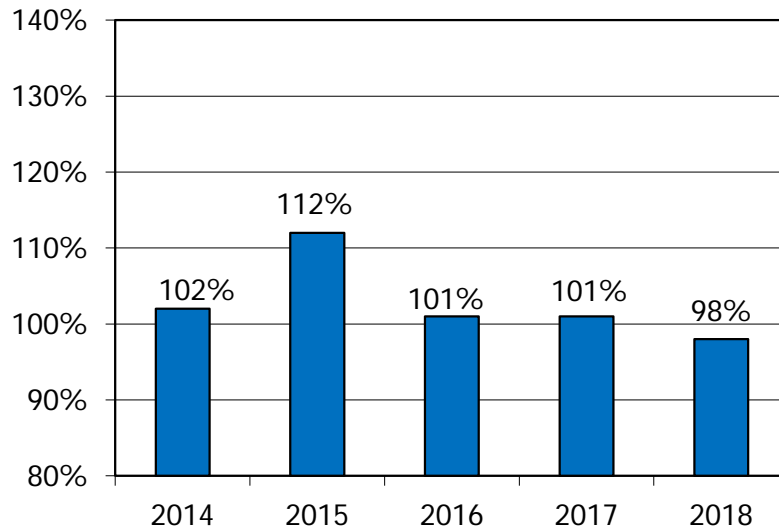
2014	2015	2016	2017	2018
110%	111%	100%	109%	91%



BTA Self-Sufficiency

Did current year business-type activities, such as utilities, pay for themselves?

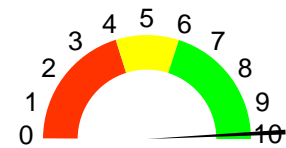
Percentage of BTA Expenses Covered By BTA Revenues



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, 2018, the City's business-type activities were 98% self-sufficient in total. This indicates that all of the current year costs of the City's business-type activities were not fully funded by current year revenues, and requires the use of carryover or a subsidy from other funds. In addition, this represents a slight decrease in the ratio when compared to the ratio of the prior period, although it is still considered an above satisfactory ratio.

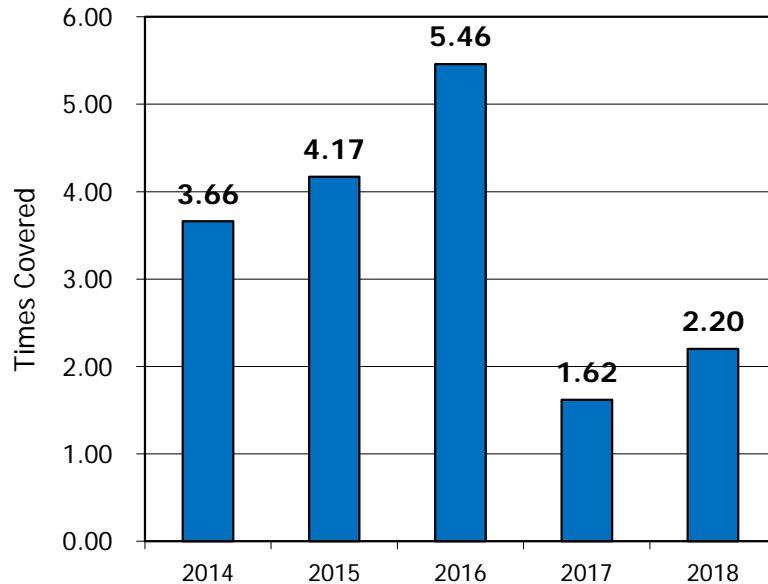
2014	2015	2016	2017	2018
102%	112%	101%	101%	98%



Debt Service Coverage

Were our revenue bond investors pleased with our ability to pay them on time?

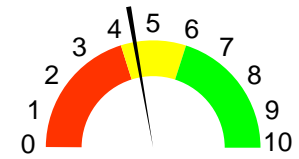
Number of Times Net Pledged Revenues Cover Annual Debt Service



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.

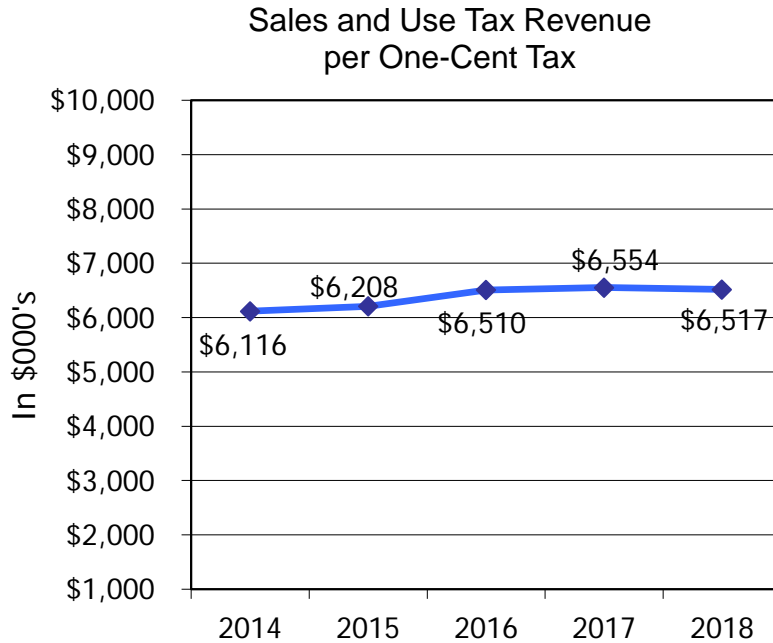
For the year ended June 30, 2018, the City experienced an excellent debt service coverage ratio of 2.20 and it also represents an increase from the ratio of the prior period. This indicates the City generated almost two and one-quarter times the amount of cash necessary to pay the debt service requirements on its revenue bonds and notes.

2014	2015	2016	2017	2018
3.66	4.17	5.46	1.62	2.20



Sales Tax Growth

What is the state of our local economy?



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, 2018, the City experienced a slight decrease in sales and use tax collections in the amount of \$110,781 or 0.6% from the prior year. The Sales Tax Rate of 3.0% was in effect for the entire year.

2014	2015	2016	2017	2018
+1.8%	+1.5%	+4.9%	+0.7%	-0.6%

Financial Performance Ratios

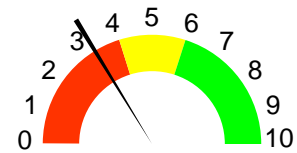
Summary and Comparison to Prior Years

Ratio	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Change in Net Position	+4.2%	+5.2%	-0.1%	+5.3%	-5.4%
Interperiod Equity	110%	111%	100%	109%	91%
BTA Self Sufficiency	102%	112%	101%	101%	98%
Debt Service Coverage	3.66	4.17	5.46	1.62	2.20
Sales Tax Growth	+1.8%	+1.5%	+4.9%	+0.7%	-0.6%
Financial Performance Performer Score	8.4	8.7	8.4	7.6	5.0

Performer[®] Ratios

Financial Capability Ratios

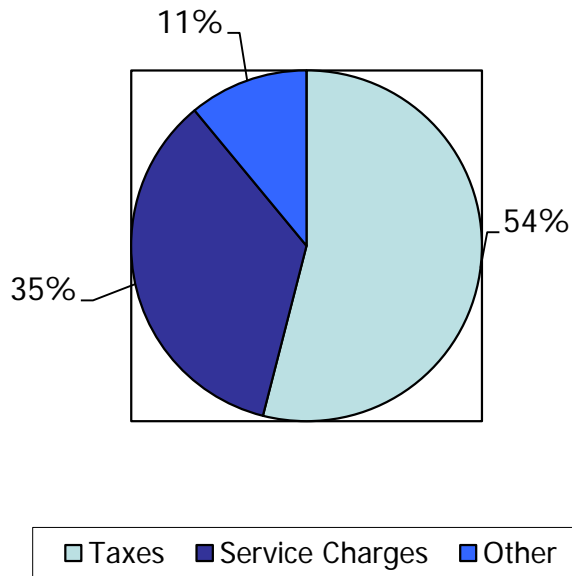
Revenue Dispersion	How much of our revenue is beyond our direct control?
Debt Service Load	How heavily is our budget loaded with payments to retire long-term debt?
Bonded Debt Per Capita	What is the debt burden on our property tax payers?
Legal Debt Limit Remaining	Will we be legally able to issue more 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?

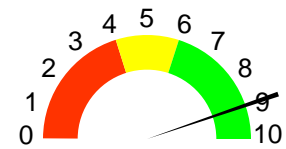
2018 Revenue Percentages by Source



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, 2018, the City had direct control over 35% (Service charges) of its revenues. This ratio indicates the City has significant exposure to financial difficulties due to reliance (65%) on taxes that require voter approval and on grants, contributions and other revenues.

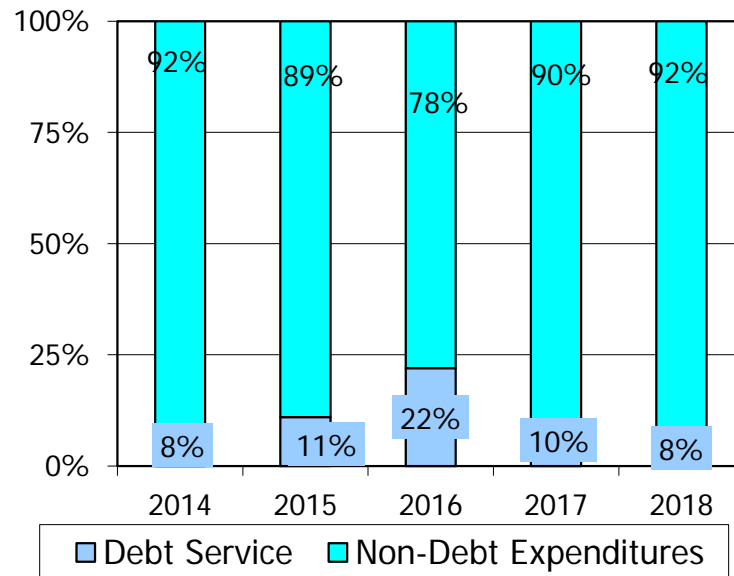
2014	2015	2016	2017	2018
65%	64%	64%	69%	65%



Debt Service Load

How much of our annual budget is loaded with disbursements to pay off long-term debt?

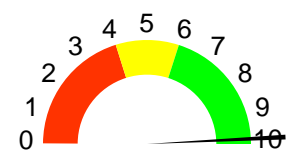
Percentage of Debt Service and Non-Debt Expenditures



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, 2018, the City's total non-capital expenditures amounted to \$39.4 million, of which \$3.3 million (or 8%), were payments for principal and interest on long-term debt. In our model, this is a near excellent indicator and indicates that for every dollar the City spent on non-capital items, 8 cents of that dollar was used for debt service.

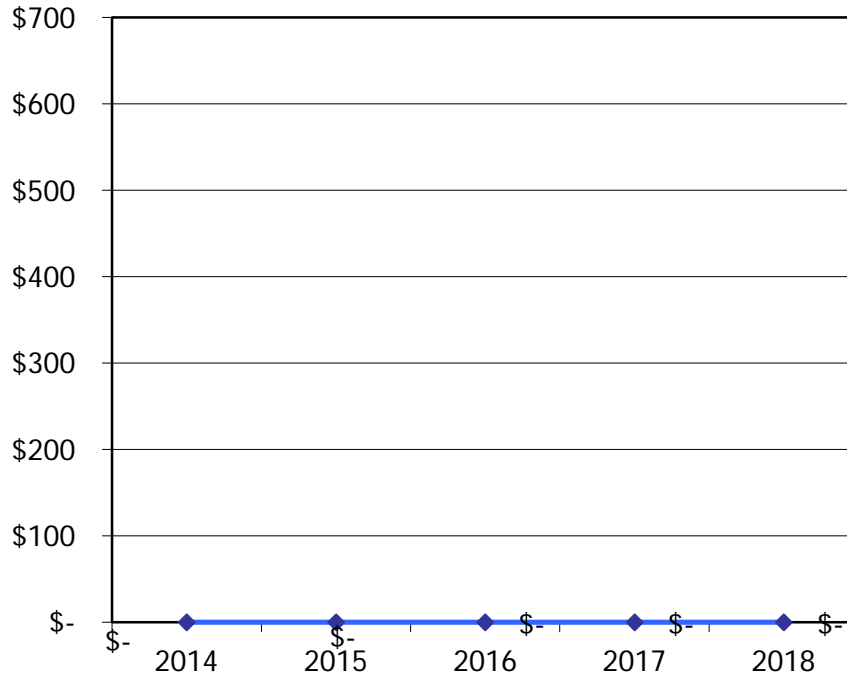
2014	2015	2016	2017	2018
8%	11%	22%	10%	8%



Bonded Debt Per Capita

What is the debt burden on our property tax payers?

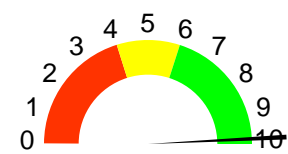
General Bonded Debt Per Capita



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, 2018, the City had no general obligation bonded debt outstanding. Therefore, it has no general bonded debt burden on its citizens and taxpayers.

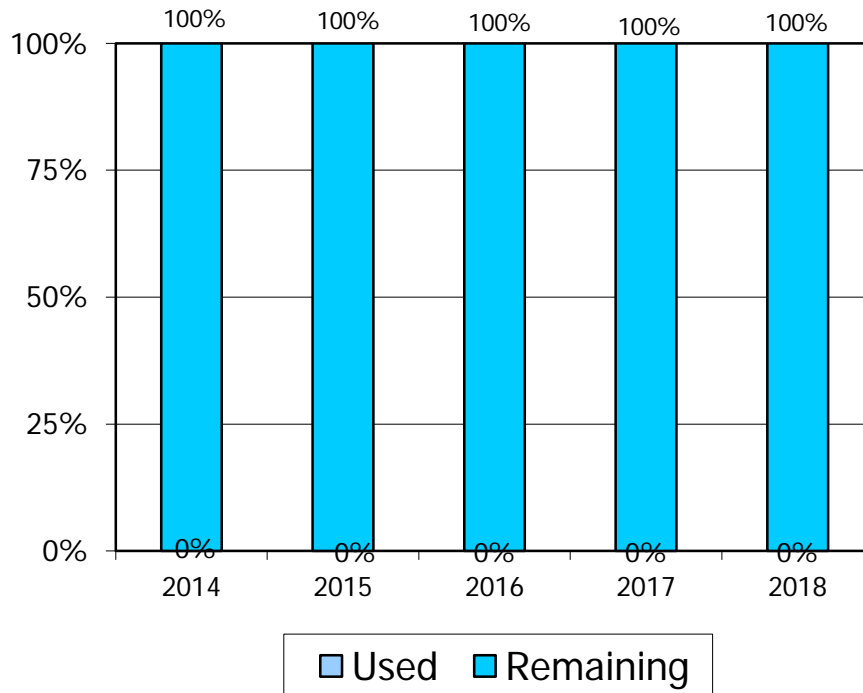
2014	2015	2016	2017	2018
\$0	\$0	\$0	\$0	\$0



Legal Debt Limit Remaining

Will we be legally able to issue more long-term debt, if needed?

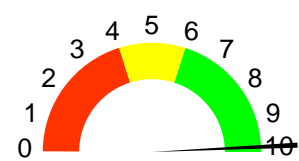
Percentage of Legal Debt Limit Used Versus Remaining



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, 2018, the City continued to have no general obligation debt applicable to this legal debt limit. This means that at June 30, 2018, the City had 100% of its general bonded debt legal limit remaining.

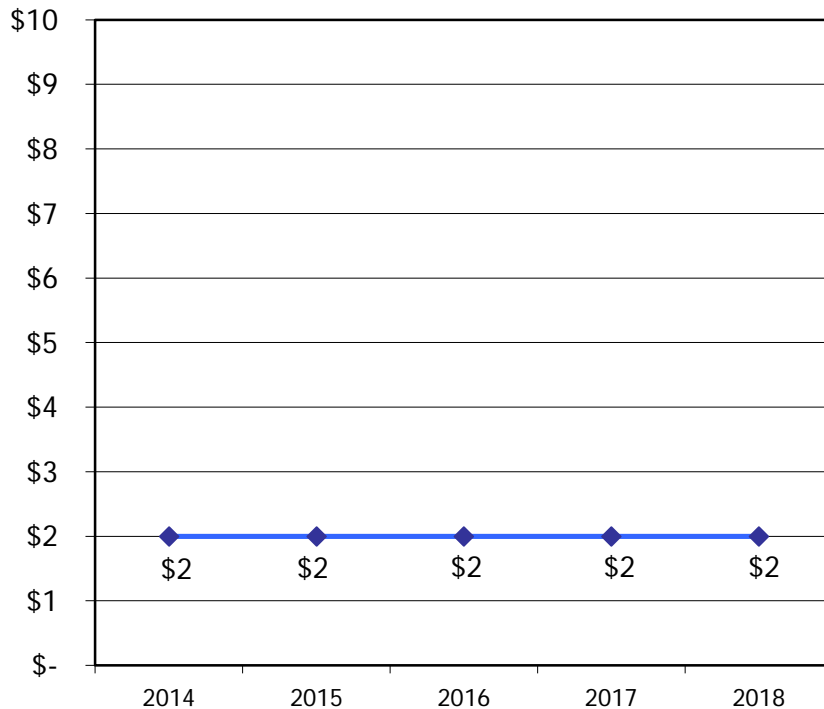
2014	2015	2016	2017	2018
100%	100%	100%	100%	100%



Property Taxes Per Capita

Will our citizens be willing to approve property tax increases, if needed?

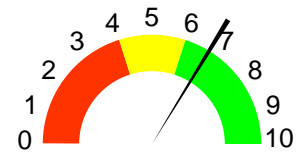
Total Property Taxes Per Capita



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, 2018, the City did not experience any change in total property tax revenues. Property taxes per capita were \$2.

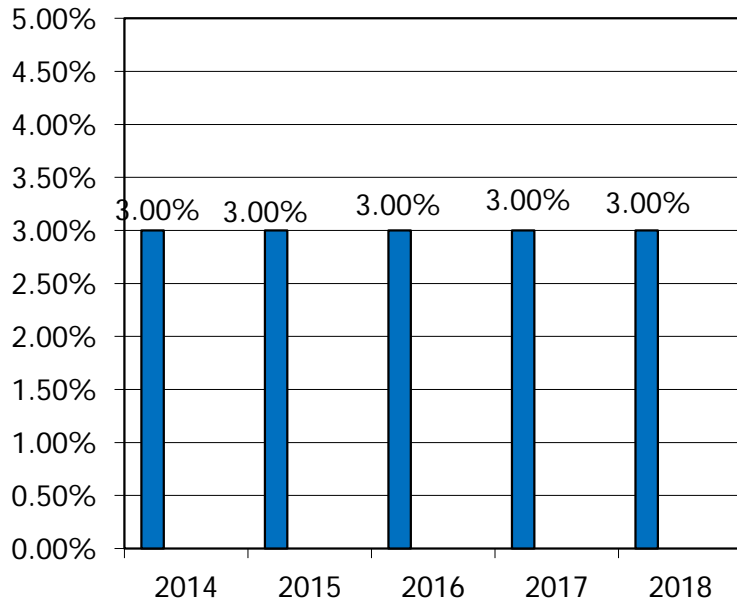
2014	2015	2016	2017	2018
\$2	\$2	\$2	\$2	\$2



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, 2018, the City's sales tax rate in effect was 3.0%.

	2014	2015	2016	2017	2018
Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Taxes in 000s	\$18.4	\$18.6	\$19.5	\$19.7	\$19.5

Financial Capability Ratios

Summary and Comparison to Prior Years

Ratio	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue Dispersion	65%	64%	64%	69%	65%
Debt Service Load	8%	11%	22%	10%	8%
General Bonded Debt per Capita	\$0	\$0	\$0	\$0	\$0
Remaining Legal Debt Margin	100%	100%	100%	100%	100%
Property Taxes per Capita	\$2	\$2	\$2	\$2	\$2
Sales Tax Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Financial Capability Performer Score	8.3	8.0	7.2	8.1	8.2

Thank You

We would like to commend and thank the City of Shawnee management and governing body for allowing us to present this financial analysis. We hope it continues to serve as a useful and understandable compliment to your annual financial report.

Visit our website at crawfordcpas.com for other useful tools for state and local governments.
