

The Metropolitan Environmental Trust

Financial Statements
with Independent Auditor's Report

June 30, 2023



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

The Metropolitan Environmental Trust

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Business Advisors

Independent Auditor's Report

Board of Directors
The Metropolitan Environmental Trust
Tulsa, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Metropolitan Environmental Trust (the Trust), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Trust as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page i be presented to supplement the financial statements. Such information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023 on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
October 12, 2023



The Metropolitan Environmental Trust

Management's Discussion and Analysis

June 30, 2023

Financial Highlights:

- The Trust's total net position increased for the 8th year in a row from \$574,495 at the end of FY22 to \$608,444 in FY23.
- Total Operating Revenues decreased in FY23 to \$214,010 from \$265,302 in FY22
- Total Operating Expenses increased in FY23 to \$1,215,036 from \$1,196,132 in FY22.

General Comments:

FY23 was a success, despite several operating challenges. Operating Revenues fell due to the decreased value of Plastic and the non- existence of paper revenue. There is a delay in acquisition of a site for the Wagoner recycling center. The City of Wagoner is having problems securing a location at the present time. However, with increases Total Net Position, the Metropolitan Environmental Trust is positioned to succeed moving forward.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position compared to prior year.

ASSETS	2023	2022
Current Assets	\$ 522,121	\$ 494,438
Capital Assets, net	\$ 211,846	\$ 234,395
Total Assets	\$ 733,967	\$ 728,833
LIABILITIES		
Current Liabilities	\$ 33,717	\$ 33,881
Non-current Liabilities	91,806	120,457
Total Current Liabilities	\$ 33,717	\$ 33,881
Net Position		
Net investment in capital assets	\$ 211,846	\$ 234,395
Restricted		
Unrestricted	\$ 396,598	\$ 340,100
Total Net Position	\$ 608,444	\$ 574,495
Total Liabilities and Net Position	\$ 733,967	\$ 728,833

The Metropolitan Environmental Trust
Statement of Net Position
June 30, 2023

<u>ASSETS</u>	<u>2023</u>
Current Assets	
Cash	\$ 442,496
Accounts receivable	71,312
Prepaid expenses	8,313
Total Current Assets	<u>522,121</u>
Capital Assets, net	<u>211,846</u>
Total Assets	<u>\$ 733,967</u>
 <u>LIABILITIES and NET POSITION</u> 	
Current Liabilities	
Accounts payable	\$ 2,939
Deferred revenue - Prepaid vouchers	1,560
Current portion of lease liabilities	29,218
Total Current Liabilities	<u>33,717</u>
Noncurrent Liabilities	
Lease liabilities	<u>91,806</u>
Total Liabilities	<u>125,523</u>
Net Position	
Net investment in capital assets	211,846
Unrestricted	396,598
Total Net Position	<u>608,444</u>
Total Liabilities and Net Position	<u>\$ 733,967</u>

The Metropolitan Environmental Trust
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	2023
Operating Revenues	
Recycling depot income	\$ 166,665
Other income	47,345
Total Operating Revenues	214,010
Operating Expenses	
Administrative	95,520
Contract labor	510,862
Advertising	4,638
Professional fees	14,749
Insurance	18,827
Operations	468,664
Storage rental	25,243
Depreciation and amortization	76,533
Total Expenses	1,215,036
Total Operation Loss	(1,001,026)
Non-Operating Revenues	
Membership assessments	816,360
Private donations	77,867
Grants	138,186
Interest income	2,562
Total Non-Operating Revenues	1,034,975
Change in Net Position	33,949
Net Position, <i>Beginning of Year</i>	574,495
Net Position, <i>End of Year</i>	\$ 608,444

The Metropolitan Environmental Trust

Statement of Cash Flows
For the Year Ended June 30, 2023

	<u>2023</u>
Cash Flow from Operating Activities	
Recycle income	\$ 166,265
Cash received from other	47,345
Payments to suppliers and employees	<u>(1,139,054)</u>
Net cash used in operating activities	<u>(925,444)</u>
Cash Flows from Non-Capital Financing Activities	
Membership assessments	782,390
Cash received from grants	138,186
Private donations	<u>77,867</u>
Net cash provided by investing activities	<u>998,443</u>
Cash Flows from Capital and Related and Financing Activities	
Cash paid for capital assets	(53,984)
Principal paid on leases	<u>(28,073)</u>
Net cash used in capital and related financing activities	<u>(82,057)</u>
Cash Flows from Investing Activities	
Interest income	<u>2,562</u>
Net cash provided by investing activities	<u>2,562</u>
Net Decrease in Cash and Cash Equivalents	(6,496)
Cash and Cash Equivalents, <i>Beginning of Year</i>	<u>448,992</u>
Cash and Cash Equivalents, <i>End of Year</i>	<u>\$ 442,496</u>
Reconciliation of Decrease in Net Position to Net Cash Used in Operating Activities	
Operating loss	\$ (1,001,026)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Depreciation and amortization	76,533
Changes in operating assets and liabilities	
Prepaid expenses	(209)
Accounts payable	(342)
Deferred revenue - Prepaid vouchers	<u>(400)</u>
Net cash used in operation activities	<u>\$ (925,444)</u>

The Metropolitan Environmental Trust
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

Background

The Metropolitan Environmental Trust (the Trust), was established August 5, 1988 and is a public trust created under Section 176, Title 60 of the Oklahoma Statutes and Oklahoma Trust Act. The Trust is a cooperative effort of the city and county governments in Northeast Oklahoma, created to develop solid waste management solutions for participating communities. It provides planning, education recycling, and bulk wasted projects and other solid waste programs for its members. The majority of the Trust's operating revenue is from recycling. The members of the Trust include the cities of Bixby, Broken Arrow, Claremore, Collinsville, Coweta, Glenpool, Jenks, Owasso, Sand Springs, Wagoner, Tulsa and the County of Tulsa.

The Friends of the M.E.T., Inc. was established August 4, 2010, and is a not-for-profit entity and is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The purpose of Friends of M.E.T. is to provide charitable support to the recycling, environmental and educational activities of the Trust, its member communities and the State of Oklahoma in an effort to lessen the burdens of government and educate the public about recycling, the future of solid waste disposal and strategies to reduce the amount of trash entering landfills. Friends of the M.E.T., Inc., is considered a component unit of the Trust and its financial statements are consolidated with the Trust. All significant intercompany accounts have been eliminated.

Basis of Accounting and Presentation

The financial statements of the Trust have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. The Trust distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses consist of revenues and expenses associated with recycling. All other revenues, including membership assessments, and expenses are reported as non-operating.

The financial statements of the Trust are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The activities of the Trust are accounted for in a proprietary fund. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is on the determination of net income, financial position, and cash flows.

The Metropolitan Environmental Trust

Notes to Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables

Receivables primarily represent short-term, non-interest bearing, and are considered past due if any portion of the receivable balance is outstanding after 30 days. The Trust has historically not experienced significant uncollectible accounts, therefore has provided no allowance for doubtful accounts. The Trust typically does not charge interest or require collateral on receivables.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Net position is displayed in three components:

1) **Net Investment in Capital Assets**

This component of net position includes restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes that are attributable to the acquisition, construction or improvements of those assets.

2) **Restricted Net Position**

This component consists of net positions with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations, or law through constitutional provisions or enabling legislation.

3) **Unrestricted Net Position**

This component consists of all other net positions that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt. The Trust's policy is to first apply unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

As of June 30, 2023, the Trust had no restricted net position.

Capital Assets

Government Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* requires governmental entities to depreciate all capital assets, except certain non-depreciable assets such as land and construction in progress.

The Metropolitan Environmental Trust
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets are reported at historical cost. Donated capital assets are valued at the estimated fair value at the date of donation. All items with a value of \$500 or more, with estimated useful lives beyond one year, are depreciated principally under the straight-line method. Depreciation expense was \$47,005 for June 30, 2023. Maintenance and repairs are charged to operations when incurred and improvements are capitalized when useful lives are estimated beyond one year.

The Trust's capitalized equipment is depreciated using the straight-line method over estimated useful lives ranging from three (3) to ten (10) years.

The Trust's capitalized transportation equipment is depreciated using the straight-line method over estimated useful lives ranging from five (5) to twelve (12) years.

The Trust's capitalized leasehold improvements is depreciated using the straight-line method over estimated useful lives ranging from five (5) to ten (10) years.

Lease assets are amortized over the life of the associated contracts.

Classification of Revenue and Expenses

All revenues and expenses are defined as all revenue sources and uses directly related to the mission of the Trust and are defined according to the following criteria.

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as administrative fee income, bond redemption and grant revenue.

Non-operating revenue: Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, Reporting Cash Flows and Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments investment income.

The Metropolitan Environmental Trust

Notes to Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Membership Assessments

The membership assessments are made to member governments for a holistic environmental educational effort that concentrate in three separate general areas, each having a unique cost sharing formula. The first formula is for general membership assessment of the Trust and includes many fixed administrative costs, of which a portion of the cost sharing is based on a population formula. The second formula consists of contributions on the recycling program (the deposit assessment) for both capital and operations, which is based on the relative populations of the members coupled with a portion due to specific depot costs/revenue. The third formula is for public education and events. This formula is based on limited fixed costs and primarily based on the amount of work that goes into each specific trust government remembering that some of The Trust's efforts simultaneously benefit the entire membership such as in various media outlets including social, website, newspaper, radio, magazines and TV.

Inventories

Inventories consist principally of compost container bins. Inventories are stated at the lower of cost (first-in, first-out) or market. The Trust disposed of the remaining containers during the fiscal year, therefore, reporting no inventory at year end.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). All bank deposits at June 30, 2023 were insured.

Deposits with banks and financial institutions are carried at cost. The table presented below is designed to disclose the level of custody credit risk assumed by the Trust based upon how its deposits were insured or secured with collateral at June 30, 2023. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized by securities held by the Trust or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Trust's name.

Category 3 - Deposits which are not collateralized or insured.

The Metropolitan Environmental Trust
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Types of Deposits	June 30, 2023				Carrying Value
	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)	
<i>Demand Deposits</i>					
Operating Account	\$ 250,123	\$ 250,123	\$ -	\$ -	\$ 139,549
Money Market Business	302,947	302,947	-	-	302,947
Total Deposits	<u>\$ 553,070</u>	<u>\$ 553,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,496</u>

Subsequent Events

The Trust has evaluated subsequent events through October 12, 2023, which is the date the financial statements were issued.

Note 2: Capital Assets

Capital asset activity for the Trust for the year ended June 30, 2023 was:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets being depreciated:				
Equipment	\$ 335,987	\$ 5,699	\$ (1,113)	\$ 340,573
Transportation equipment	294,814	48,285	-	343,099
Leasehold Improvement	148,691	-	-	148,691
Total capital assets being depreciated	779,492	53,984	(1,113)	832,363
Less accumulated depreciation	(692,739)	(47,005)	1,113	(738,631)
Total capital assets being depreciated, Net	<u>\$ 86,753</u>	<u>\$ 6,979</u>	<u>\$ -</u>	<u>\$ 93,732</u>
Lease assets being amortized:				
Right-to-use Property	177,170	-	-	177,170
Total lease assets	177,170	-	-	177,170
Less accumulated amortization for:				
Right-to-use Property	(29,528)	(29,528)	-	(59,056)
Total lease assets, net	147,642	(29,528)	-	118,114
Total lease assets being amortized, net	<u>147,642</u>	<u>(29,528)</u>	<u>-</u>	<u>118,114</u>
Capital assets, net	<u>\$ 234,395</u>	<u>\$ (22,549)</u>	<u>\$ -</u>	<u>\$ 211,846</u>

The Metropolitan Environmental Trust

Notes to Financial Statements

June 30, 2023

Note 3: Tax-Exempt Status

The Trust is recognized as a subdivision of the State of Oklahoma and is therefore not subject to income taxes.

Note 4: Economic Dependency

The Trust receives a significant portion of its revenue from funds provided through membership assessments. If significant budget cuts are made at these levels, the amount of the funds the Trust receives could be reduced significantly and have an adverse impact on its operation. Management is not aware of any actions that will adversely affect the amount of funds the Trust will receive in the next fiscal year.

Note 5: Leases

The Trust leases property for various terms under long-term, non-cancelable lease agreement. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Rental expense recognized under these operating leases was \$6,372 for the year ended December 31, 2023.

	2023
Lease right-of-use assets	\$ 177,170
Accumulated amortization	(59,056)
Net lease right-of-use assets	<u>\$ 118,114</u>
Current portion lease liability	\$ 29,218
Non-current portion lease liability	91,806
	<u>\$ 121,024</u>
Discount Rate	2.00%

Note 6: Risk Management

The Trust is exposed to certain risks related to the recycling of waste products. Any significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage.



**HINKLE &
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**Independent Auditor's Report on Internal Control
over Financial Reporting and Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
The Metropolitan Environmental Trust
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Metropolitan Environmental Trust (the Trust), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated October 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Tulsa, Oklahoma
October 12, 2023

