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**THE METROPOLITAN ENVIRONMENTAL TRUST**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORTS**

Years Ended June 30, 2011 and 2010

# THE METROPOLITAN ENVIRONMENTAL TRUST

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE METROPOLITAN ENVIRONMENTAL TRUST (the "Trust") FINANCIAL STATEMENTS**

Our discussion and analysis of the Trust's financial performance provides an overview of the Trust's financial activities for the year ended June 30, 2011. Please read it in conjunction with the Trust's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Trust's net assets increased by \$41,041 or 31% during the year ended June 30, 2011 from \$131,907 at June 30, 2010 to \$172,948 at June 30, 2011.
- Total operating revenues increased by \$46,384 or 20%, from \$235,948 for the year ended June 30, 2010 to \$282,332 for the year ended June 30, 2011.
- Total operating expenses increased by \$44,146 or 4%, from \$1,171,467 for the year ended June 30, 2010 to \$1,215,613 for the year ended June 30, 2011.
- Total non-operating revenue increased by \$22,500 or 2%, from \$951,822 for the year ended June 30, 2010 to \$974,322 for the year ended June 30, 2011.

### **USING THIS ANNUAL REPORT**

The following summarizes the content of the Trust's financial statements and differs from previous presentations:

- Management Discussion and Analysis
- Financial Statements, including the Statements of Net Assets on page 3, the Statements of Revenue, Expenses, and Changes in Net Assets on page 4, and the Statements of Cash Flows on page 5.
- Notes to Financial Statements.

The primary focus of the Trust's financial statements is on the trust as a whole. This perspective allows the user to address relevant questions, broaden a basis for comparison and enhance the Trust's accountability.

### **ENTITY WIDE FINANCIAL STATEMENTS**

The Trust engages in only business type activities. The financial statements are designed to be corporate-like in that all business type activities are consolidated to a total for the entire entity. The Trust's major business activities consist of the sale of recyclables.

## STATEMENTS OF NET ASSETS

The following table reflects the condensed Statements of Net Assets compared to prior year.

	<u>2011</u>	<u>2010</u>
Current assets	\$ <b>171,316</b>	\$ 107,154
Capital assets	<u>86,520</u>	<u>68,747</u>
Total Assets	<u>\$257,836</u>	<u>\$175,901</u>
Current liabilities	<u>\$ 84,888</u>	<u>\$ 43,994</u>
Net Assets		
Invested in capital assets, net of related debt	\$ <b>86,520</b>	\$ 68,747
Unrestricted	<u>86,428</u>	<u>63,160</u>
Total Net Assets	<u>\$172,948</u>	<u>\$131,907</u>

For more detailed information, see page 3 for the statements of net assets.

## MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets increased by \$64,162, due largely to a \$60,692 increase in cash. Current liabilities increased by \$40,894, due to an increase in accounts payable.

Net capital assets increased \$17,773 during the year from \$68,747 at June 30, 2010 to \$86,520 at June 30, 2011. The change can be largely attributed to purchases of processing equipment and vehicles and construction of a new depot in Claremore, partially offset by depreciation expense of \$17,205.

## CHANGE IN UNRESTRICTED NET ASSETS

Unrestricted Net Assets at the beginning of the year	\$ 63,160
Change in Unrestricted Net Assets	<u>23,268</u>
Unrestricted Net Assets at the end of the year	<u>\$ 86,428</u>

While the results of operations are a significant measure of the Trust's activities, the analysis of the change in unrestricted net assets provides a clearer change in financial well being.

## STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. As previously stated, the Trust engages in only business-type activities.

	<u>2011</u>	<u>2010</u>
Revenue		
Recycling depot income	\$ 282,383	\$ 235,912
Sale of compost bins, net of cost of sales	(1,001)	(189)
Membership assessments	959,800	911,800
Private donations	15,215	16,802
City of Tulsa grant	-	24,000
Other	<u>257</u>	<u>(555)</u>
Total Revenues	<u>1,256,654</u>	<u>1,187,770</u>
Expenses		
Salaries and administrative contract labor	200,501	197,011
Operating	903,685	843,960
Administrative	67,626	64,688
Advertising	25,216	44,791
Professional fees	1,380	2,439
Depreciation	<u>17,205</u>	<u>18,578</u>
Total Expenses	<u>1,215,613</u>	<u>1,171,467</u>
Change in Net Assets	<u>\$ 41,041</u>	<u>\$ 16,303</u>

### MAJOR FACTORS AFFECTING THE STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Total revenues increased 6% by \$68,884, due primarily to an increase in recycling depot income from increased volume, and an additional assessment to build a recycling depot in Claremore.

Total expenses increased 4% by \$44,146, due primarily to general increases in operating and administrative expenses, in part attributable to the increase in recycling volume.

## CAPITAL ASSETS

As of June 30, 2011, the Trust had \$86,520 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$17,773 from the end of last year.

	<u>2011</u>	<u>2010</u>
Site improvements	\$194,708	\$190,858
Office furniture and equipment	25,170	26,454
Transportation equipment	260,312	252,829
Processing equipment	<u>95,136</u>	<u>78,225</u>
Total cost of assets	575,326	548,366
Less accumulated depreciation	<u>488,806</u>	<u>479,619</u>
Net	<u>\$ 86,520</u>	<u>\$ 68,747</u>

The following summarizes the changes in capital assets.

## CHANGES IN CAPITAL ASSETS

Balance, beginning of year	\$ 68,747
Additions to capital assets	35,786
Loss on disposals of capital assets	(808)
Depreciation	<u>(17,205)</u>
Balance, end of year	<u>\$ 86,520</u>

This year's major additions are summarized as follows:

Processing equipment	\$ 18,629
Site and building improvements	7,612
Vehicular equipment	7,483
Office furniture and equipment	<u>2,062</u>
Total Additions	<u>\$ 35,786</u>

## **ECONOMIC FACTORS**

Significant economic factors affecting the Trust are as follows:

- The funding ability of the member governments
- Market for recyclables
- Costs of disposal of household pollutants

## **FINANCIAL CONTACT**

The individual to be contacted regarding this report is Michael Patton, Executive Director 918-584-0584. Specific requests may be submitted to Michael Patton, Executive Director, Williams Tower One, One West Third St. Suite 110, Tulsa, OK 74103.



## Independent Auditors' Report

The Board of Trustees  
The Metropolitan Environmental Trust  
Tulsa, Oklahoma

We have audited the accompanying statements of net assets of The Metropolitan Environmental Trust (the "Trust") as of June 30, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Metropolitan Environmental Trust as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Trustees  
The Metropolitan Environmental Trust

The Management Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Santa Fuschi & Co.*

November 9, 2011

# THE METROPOLITAN ENVIRONMENTAL TRUST

## STATEMENTS OF NET ASSETS

<i>June 30,</i>	2011	2010
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 106,400	\$ 45,708
Accounts receivable:		
Trade (no allowance for doubtful accounts)	54,608	33,828
Membership assessments	-	6,000
Pledge receivable	500	-
Prepaid expenses	5,668	4,396
Inventory	4,140	17,222
<b>Total Current Assets</b>	<b>171,316</b>	<b>107,154</b>
<b>Property and Equipment, at cost:</b>		
Site improvements	194,708	190,858
Office furniture and equipment	25,170	26,454
Transportation equipment	260,312	252,829
Processing equipment	95,136	78,225
	575,326	548,366
Less accumulated depreciation	488,806	479,619
<b>Net Property and Equipment</b>	<b>86,520</b>	<b>68,747</b>
<b>TOTAL ASSETS</b>	<b>\$ 257,836</b>	<b>\$ 175,901</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 84,888	\$ 43,994
<b>Total Current Liabilities</b>	<b>84,888</b>	<b>43,994</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	86,520	68,747
Unrestricted	86,428	63,160
<b>Total Net Assets</b>	<b>172,948</b>	<b>131,907</b>
	<b>\$ 257,836</b>	<b>\$ 175,901</b>

The accompanying notes are an integral part of the financial statements.

**THE METROPOLITAN ENVIRONMENTAL TRUST**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN**  
**NET ASSETS**

<i>Years Ended June 30,</i>	<b>2011</b>	<b>2010</b>
<b>Operating Revenue:</b>		
Recycling depot income	\$ 282,383	\$ 235,912
Compost bin sales, net of cost of sales	(1,001)	(189)
Other	950	225
<b>Total Operating Revenue</b>	<b>282,332</b>	<b>235,948</b>
<b>Operating Expenses:</b>		
Salaries and administrative contract labor	200,501	197,011
Operating	903,685	843,960
Administrative	67,626	64,688
Advertising	25,216	44,791
Professional fees	1,380	2,439
Depreciation	17,205	18,578
<b>Total Operating Expenses</b>	<b>1,215,613</b>	<b>1,171,467</b>
<b>Operating Loss</b>	<b>(933,281)</b>	<b>(935,519)</b>
<b>Nonoperating Revenue:</b>		
Membership assessments:		
General assessment	100,800	100,800
Depot assessment	509,000	461,000
Household pollutants collection event	350,000	350,000
Private donations	15,215	16,802
City of Tulsa grant	-	24,000
Interest income	115	185
Loss on disposal of property and equipment	(808)	(965)
<b>Total Nonoperating Revenue</b>	<b>974,322</b>	<b>951,822</b>
<b>Change in Net Assets</b>	<b>41,041</b>	<b>16,303</b>
<b>Net Assets, beginning of year</b>	<b>131,907</b>	<b>115,604</b>
<b>Net Assets, end of year</b>	<b>\$ 172,948</b>	<b>\$ 131,907</b>

The accompanying notes are an integral part of the financial statements.

<i>Years Ended June 30,</i>	<b>2011</b>	<b>2010</b>
<b>Cash Flows From Operating Activities:</b>		
Operating loss	\$ (933,281)	\$ (935,519)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	17,205	18,578
Net change in:		
Accounts receivable - trade	(21,280)	(13,922)
Prepaid expenses	(1,272)	1,980
Inventory	13,082	(13,933)
Accounts payable	40,894	(2,227)
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (884,652)</u></b>	<b><u>\$ (945,043)</u></b>

# THE METROPOLITAN ENVIRONMENTAL TRUST

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2011 AND 2010

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Reporting Entity:** The Metropolitan Environmental Trust (the "Trust") was established August 5, 1988, and is a public trust created under the provisions of Title 60, Oklahoma Statutes, Section 176. The Trust is a cooperative effort of city and county governments in Northeast Oklahoma, created to develop solid waste management solutions for participating communities. It provides planning, education, recycling, and bulk waste 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, and 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 which is tax exempt under Section 501(c)(3) of the Internal Revenue Code, with the purpose of providing charitable support to the recycling, environmental and educational activities of the Metropolitan Environmental 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:** The Trust presents its activities in a proprietary fund category. The measurement focus of proprietary activities is on the determination of net income, financial position, and cash flows. As a result, the Trust uses the accrual method of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Trust follows the policy of applying all applicable pronouncements of the Governmental Accounting Standards Board ("GASB"), as well as following all Financial Accounting Standards Board Statements and interpretations, except for those that conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consist of demand deposit and money market accounts at a financial institution and a money market account at a securities broker.

Bank balances at the financial institution in the amount of \$102,334 at June 30, 2011 and \$42,734 at June 30, 2010 were insured by federal deposit insurance.

In addition, securities were held by the financial institution and pledged in the Trust's name (with a fair market value of \$0 at June 30, 2011 and \$140,022 at June 30, 2010) and used to collateralize Trust bank balances in excess of federally insured limits.

# THE METROPOLITAN ENVIRONMENTAL TRUST

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2011 AND 2010

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**Property and Equipment:** Amounts are recorded at cost. Upon sale or retirement, the costs are removed from the accounts and the resulting gain or loss is included in income or expense. Depreciation of property and equipment is provided using the straight-line method over the estimated lives of the respective assets as follows:

Buildings and Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years

Maintenance and repairs are charged to expense as incurred, whereas renewals and betterments are generally capitalized.

**Membership Assessments:** Membership assessments are made to member governments for three separate purposes each having a unique cost sharing formula. The first formula is for general membership assessment of the Trust of which the cost sharing is based on a weighted formula. The second formula consists of contributions to the recycling program (the depot assessment) for both capital and operations, which is based on the relative populations of the members. The third formula is for a special Household Pollutants Collection Event, which is held semi-annually to dispose of rare household waste. The assessment for this program is based on past participation by the members.

In 2011 and 2010, the cities of Tulsa and Broken Arrow combined contributed approximately 55% of the general membership assessments based on the first formula. In 2011 and 2010, the cities of Tulsa and Broken Arrow contributed over 80% of the assessments based on the second formula. In 2011 and 2010, the cities of Tulsa and Broken Arrow combined contributed over 80% of the assessments based on the third formula. No other single member government accounted for more than 10% of the membership assessments in 2011 and 2010.

**Income Taxes:** The Trust is created under Title 60, Oklahoma Statutes, Section 176 and is exempt from any filing requirements for federal and state income tax purposes.

**Advertising Costs:** The Trust expenses the cost of advertising as incurred.

**Management Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. The actual outcome could differ from the estimates made in the preparation of the financial statements.

**THE METROPOLITAN ENVIRONMENTAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

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**Net Assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Trust or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Subsequent Events:** Subsequent events have been evaluated through November 9, 2011, which is the date the financial statements were issued.

**2. RELATED PARTY TRANSACTIONS**

The Trust has an administrative agreement with Indian Nations Council of Governments ("INCOG"), whereby certain salary and administrative costs related to the Trust are paid by INCOG and subsequently reimbursed by the Trust. During the years ended June 30, 2011 and 2010, the costs reimbursed to INCOG were as follows:

	<u>2011</u>	<u>2010</u>
Salaries and administrative contract labor	<b>\$197,584</b>	\$194,056
Other operating costs	<b><u>102,088</u></b>	<u>103,742</u>
	<b><u>\$299,672</u></b>	<b><u>\$297,798</u></b>

**3. MAJOR CUSTOMERS**

During 2011, two unaffiliated customers accounted for more than 65% of the Trust's operating revenue. Revenue from these customers aggregated approximately \$194,000 in 2011.

During 2010, two unaffiliated customers accounted for more than 65% of the Trust's operating revenue. Revenue from these customers aggregated approximately \$164,000 revenue in 2010.

**4. OTHER**

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 and any settlement amounts have not significantly exceeded insurance coverage for 2011 or 2010.

**THE METROPOLITAN ENVIRONMENTAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

**5. PROPERTY AND EQUIPMENT**

Activity in property and equipment for 2011 is as follows:

	<u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/11</u>
Site improvements	\$190,858	\$ 7,612	\$ 3,762	\$194,708
Office furniture and equipment	26,454	2,062	3,346	25,170
Transportation equipment	252,829	7,483	-	260,312
Processing equipment	<u>78,225</u>	<u>18,629</u>	<u>1,718</u>	<u>95,136</u>
Total Depreciable Assets	<u>548,366</u>	<u>35,786</u>	<u>8,526</u>	<u>575,326</u>
Less accumulated depreciation for				
Site improvements	147,864	7,513	2,954	152,423
Office furniture and equipment	19,617	2,455	3,346	18,726
Transportation equipment	245,506	3,228	-	248,734
Processing equipment	<u>66,632</u>	<u>4,009</u>	<u>1,718</u>	<u>68,923</u>
Total Accumulated Depreciation	<u>479,619</u>	<u>17,205</u>	<u>8,018</u>	<u>488,806</u>
Net Property and Equipment	<u>\$ 68,747</u>	<u>\$ 18,581</u>	<u>\$ 808</u>	<u>\$ 86,520</u>

Activity in property and equipment for 2010 is as follows:

	<u>6/30/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/10</u>
Site improvements	\$197,677	\$ 537	\$ 7,356	\$190,858
Office furniture and equipment	30,997	2,207	6,750	26,454
Transportation equipment	252,895	4,784	4,850	252,829
Processing equipment	<u>71,375</u>	<u>7,200</u>	<u>350</u>	<u>78,225</u>
Total Depreciable Assets	<u>552,944</u>	<u>14,728</u>	<u>19,306</u>	<u>548,366</u>
Less accumulated depreciation for				
Site improvements	148,289	6,931	7,356	147,864
Office furniture and equipment	23,690	2,162	6,235	19,617
Transportation equipment	243,332	6,574	4,400	245,506
Processing equipment	<u>64,071</u>	<u>2,911</u>	<u>350</u>	<u>66,632</u>
Total Accumulated Depreciation	<u>479,382</u>	<u>18,578</u>	<u>18,341</u>	<u>479,619</u>
Net Property and Equipment	<u>\$ 73,562</u>	<u>\$ (3,850)</u>	<u>\$ 965</u>	<u>\$ 68,747</u>

**OTHER REPORT**



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

The Board of Trustees  
The Metropolitan Environmental Trust  
Tulsa, Oklahoma

We have audited the financial statements of The Metropolitan Environmental Trust (the "Trust") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

*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 combination of significant 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 by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Trustees  
The Metropolitan Environmental Trust

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Trustees which represents the beneficiary municipalities and county, and the Office of the Oklahoma State Auditor and Inspector, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Santa Fische & Co." with a stylized flourish at the end.

November 9, 2011