THE METROPOLITAN ENVIRONMENTAL TRUST

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS

Years Ended June 30, 2012 and 2011

THE METROPOLITAN ENVIRONMENTAL TRUST

CONTENTS

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, 2012. Please read it in conjunction with the Trust's financial statements.

FINANCIAL HIGHLIGHTS

- The Trust's net assets increased by $12,108 or 7% during the year ended June 30, 2012 from $172,948 at June 30, 2011 to $185,056 at June 30, 2012.

- Total operating revenues increased by $16,169 or 6%, from $282,332 for the year ended June 30, 2011 to $298,501 for the year ended June 30, 2012.

- Total operating expenses increased by $106,325 or 9%, from $1,215,613 for the year ended June 30, 2011 to $1,321,938 for the year ended June 30, 2012.

- Total non-operating revenue increased by $61,222 or 6%, from $974,322 for the year ended June 30, 2011 to $1,035,545 for the year ended June 30, 2012.

USING THIS ANNUAL REPORT

The following summarizes the content of the Trust's financial statements:

- 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.

	2012	2011
Current assets	**$ 73,512**	$ 171,316
Capital assets	**181,077**	86,520
Total Assets	**$254,589**	$257,836
Current liabilities	**$ 57,895**	$ 84,888
Non-Current liabilities	**11,638**	-
Total Liabilities	**$ 69,533**	$ 84,888
Net Assets		
Invested in capital assets, net of related debt	**$161,540**	$ 86,520
Temporarily restricted	**24,000**	-
Unrestricted	**(484)**	86,428
Total Net Assets	**$185,056**	$172,948

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

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets decreased by $78,318, due largely to a $86,763 decrease in cash which was primarily used to purchase capital assets as discussed below and reduce accounts payable. Current liabilities decreased by $7,507, due to a decrease in accounts payable while non-current liabilities increased due to a capital lease of processing equipment.

Net capital assets increased $94,557 during the year from $86,520 at June 30, 2011 to $181,077 at June 30, 2012. The change can be largely attributed to purchases of processing equipment and vehicles and construction of a baling center, partially offset by depreciation expense of $33,247.

CHANGE IN UNRESTRICTED NET ASSETS

Unrestricted Net Assets at the beginning of the year	$ 86,428
Change in Unrestricted Net Assets	(86,912)
Unrestricted Net Assets at the end of the year	$ (484)

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. The decrease in unrestricted net assets is in large part due to an increase in capital assets net of related debt of $75,020 as discussed above.

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.

	2012	2011
Revenue		
Recycling depot income	$ 297,541	$ 282,383
Sale of compost bins, net of cost of sales	-	(1,001)
Membership assessments	929,800	959,800
Private donations	16,736	15,215
City of Tulsa grant	24,000	-
State of Oklahoma grant	66,000	-
Other	1,069	257
Total Revenues	1,335,146	1,256,654
Expenses		
Salaries and administrative contract labor	207,328	200,501
Operating	970,612	903,685
Administrative	75,850	67,626
Advertising	32,171	25,216
Professional fees	2,730	1,380
Depreciation	33,247	17,205
Interest Expense	1,100	-
Total Expenses	1,323,038	1,215,613
Change in Net Assets	$ 12,108	$ 41,041

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

Total revenues increased by $78,492 or 6%, due primarily to a State of Oklahoma grant of $66,000 and a City of Tulsa grant of $24,000 received during 2012. There were no such grants in 2011. Additionally, recycling depot income increased $15,158 in 2012 as compared to 2011. These increases were partially offset by a decrease in membership assessments of $30,000 in 2012 as compared to 2011. Total expenses increased 9%

by $107,425 due primarily to general increases in operating expenses and depreciation expense due to purchases of capital assets during 2012 as discussed below.

CAPITAL ASSETS

As of June 30, 2012, the Trust had $181,077 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of $94,557 from the end of last year.

	2012	2011
Site improvements	**$205,808**	$194,708
Office furniture and equipment	**25,058**	25,170
Transportation equipment	**300,373**	260,312
Processing equipment	**166,235**	95,136
Total cost of assets	**697,474**	575,326
Less accumulated depreciation	**516,397**	488,806
Net	**$181,077**	$ 86,520

The following summarizes the changes in capital assets.

CHANGES IN CAPITAL ASSETS

Balance, beginning of year	$ 86,520
Additions to capital assets	127,804
Depreciation	(33,247)
Balance, end of year	$181,077

This year's major additions are summarized as follows:

Processing equipment	$71,099
Site and building improvements	14,926
Vehicular equipment	40,061
Office furniture and equipment	1,718
Total Additions	$127,804

ECONOMIC FACTORS

On October 1, 2012, the City of Tulsa implemented a new trash contract that allows for curbside recycling of almost all materials at residential homes. This has resulted in a significant decrease in materials generated at the Trust's five locations in the city of Tulsa. This could also affect the amount of the subsidy provided by the City of Tulsa to the Trust. Management of the Trust is currently considering several options to adapt to this new environment

Other 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.

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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, 2012 and 2011, 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 Trust'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, 2012 and 2011, 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 December 6, 2012 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.

3010 S Harvard Ave | Ste 400 | Tulsa, OK 74114 | Tel 918 749-6601 | Fax 918 744-1506 | email - firm@sfandco.com | www.sfandco.com

The Board of Trustees
The Metropolitan Environmental Trust

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic 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.

Sartain Fischbein + Co.

December 14, 2012

June 30,	2012	2011
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 49,996	$ 84,888
Capital lease obligation - current	7,899	-
Total Current Liabilities	57,895	84,888
Long-Term Liabilities:		
Capital lease obligation - long-term	11,638	-
TOTAL LIABILITIES	69,533	84,888
Net Assets (Accumulated Deficit):		
Invested in capital assets, net of related debt	161,540	86,520
Temporarily restricted	24,000	-
Unrestricted	(484)	86,428
Total Net Assets	185,056	172,948
	$ 254,589	$ 257,836

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

Years Ended June 30,	**2012**	2011
Operating Revenue:		
Recycling depot income	$ 297,541	$ 282,383
Compost bin sales, net of cost of sales	-	(1,001)
Other	960	950
Total Operating Revenue	298,501	282,332
Operating Expenses:		
Salaries and administrative contract labor	207,328	200,501
Operating	970,612	903,685
Administrative	75,850	67,626
Advertising	32,171	25,216
Professional fees	2,730	1,380
Depreciation	33,247	17,205
Total Operating Expenses	1,321,938	1,215,613
Operating Loss	(1,023,437)	(933,281)
Nonoperating Revenue (expense):		
Membership assessments:		
General assessment	100,800	100,800
Depot assessment	479,000	509,000
Household pollutants collection event	350,000	350,000
Private donations	16,736	15,215
City of Tulsa grant	24,000	-
State of Oklahoma grant	66,000	
Interest income	109	115
Interest expense	(1,100)	-
Loss on disposal of property and equipment	-	(808)
Total Net Nonoperating Revenue	1,035,545	974,322
Change in Net Assets	12,108	41,041
Net Assets, beginning of year	172,948	131,907
Net Assets, end of year	$ 185,056	$ 172,948

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

Years Ended June 30,	**2012**	2011
Cash Flows From Operating Activities:		
Operating loss	**$ (1,023,437)**	$ (933,281)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	**33,247**	17,205
Net change in:		
Accounts receivable	**15,420**	(21,280)
Prepaid expenses	**350**	(1,272)
Inventory	**(1,480)**	13,082
Accounts payable	**(34,893)**	40,894
Net Cash Used in Operating Activities	**$ (1,010,793)**	$ (884,652)

NON-CASH CAPITAL AND FINANCING ACTIVITIES

Equipment addition under capital lease obligation	**$ 24,618**	-

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 the change in net assets, 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, the Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash balances are maintained at a financial institution. Bank balances at the financial institution in the amount of $85,063 at June 30, 2012 and $102,334 at June 30, 2011 are insured by the by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

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 2012 and 2011, the cities of Tulsa and Broken Arrow combined contributed approximately 56% and 55%, respectively, of the general membership assessments based on the first formula. In 2012 and 2011, the cities of Tulsa and Broken Arrow contributed 73% and over 80%, respectively, of the assessments based on the second formula. In 2012 and 2011, the cities of Tulsa and Broken Arrow combined contributed over 85% of the assessments based on the third formula. No other single member government accounted for more than 10% of the membership assessments in 2012 and 2011.

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.

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.

Temporarily restricted net assets of $24,000 at June 30, 2012 are available for purchasing compost bins.

Subsequent Events: Subsequent events have been evaluated through December 14, 2012, 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, 2012 and 2011, the costs reimbursed to INCOG were as follows:

	2012	2011
Salaries and administrative contract labor	**$204,553**	$197,584
Other operating costs	**96,017**	102,088
	$300,570	$299,672

3. MAJOR CUSTOMERS

During 2012, two unaffiliated customers accounted for more than 56% of the Trust's operating revenue. Revenue from these customers aggregated approximately $169,000 in 2012.

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

4. LEASES

The Trust leases facilities for the baling center under non-cancellable operating leases. These leases require a total minimum monthly payment of approximately $4,700. Approximate minimum rent obligations at June 30, 2012 are as follows:

2013	$ 48,900
2014	38,400
2015	38,400
2016	38,400
2017	32,000

Effective November 2011, the company entered into lease agreements for equipment to process collected materials at the Trust's bailing center. The lease agreements expire in October 2014 and are capital leases. The agreements require monthly payments of approximately $770. The assets and liabilities are recorded at the present value of the future minimum lease payments. The equipment is being depreciated using the straight line method over the lease term.

The Trust has $24,618 recorded in processing equipment related to this capital lease with $5,470 recorded in accumulated depreciation as of June 30, 2012. Additionally, the Trust has a current capital lease obligation of $7,899 and a long term capital lease obligation of $11,638 at June 30, 2012. The present value of the future minimum lease payments under capital leases are as follows:

2013	$ 7,899
2014	8,603
2015	3,035

5. 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 2012 or 2011.

6. PROPERTY AND EQUIPMENT

Activity in property and equipment for 2012 is as follows:

	6/30/11	Increases	Decreases	6/30/12
Site improvements	$194,708	$ 14,926	$ 3,826	$205,808
Office furniture and equipment	25,170	1,718	1,830	25,058
Transportation equipment	260,312	40,061	-	300,373
Processing equipment	95,136	71,099	-	166,235
Total Depreciable Assets	575,326	127,804	5,656	697,474
Less accumulated depreciation for				
Site improvements	152,423	8,849	3,826	157,446
Office furniture and equipment	18,726	2,043	1,830	18,939
Transportation equipment	248,734	8,550	-	257,284
Processing equipment	68,923	13,805	-	82,728
Total Accumulated Depreciation	488,806	33,247	5,656	516,397
Net Property and Equipment	$ 86,520	$ 94,557	$ -	$181,077

Activity in property and equipment for 2011 is as follows:

	6/30/10	Increases	Decreases	6/30/11
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	78,225	18,629	1,718	95,136
Total Depreciable Assets	548,366	35,786	8,826	575,326
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	66,632	4,009	1,718	68,923
Total Accumulated Depreciation	479,619	17,205	8,018	488,806
Net Property and Equipment	$ 68,747	$ 18,581	$ 808	$ 86,520

OTHER REPORT

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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, 2012, and have issued our report thereon dated December 6, 2012. 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.

3010 S Harvard Ave | Ste 400 | Tulsa, OK 74114 | Tel 918 749-6601 | Fax 918 744-1506 | email - firm@sfandco.com | www.sfandco.com

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.

Sartan Fischl & Co.

December 14, 2012