

THE METROPOLITAN ENVIRONMENTAL TRUST

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS**

Years Ended June 30, 2014 and 2013

THE METROPOLITAN ENVIRONMENTAL TRUST

CONTENTS

	<u>Page</u>
Management Discussion and Analysis	
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Net Assets	3
Statements of Revenue, Expenses, and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11
Other Report in Accordance with <i>Government Auditing Standards</i>:	
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 <i>Government Auditing Standards</i>	12-13

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, 2014. Please read it in conjunction with the Trust’s financial statements.

FINANCIAL HIGHLIGHTS

- The Trust’s net assets decreased by \$14,790 or 14% during the year ended June 30, 2014 from \$109,236 at June 30, 2013 to \$94,446 at June 30, 2014.
- Total operating revenues decreased by \$20,722 or 9%, from \$229,736 for the year ended June 30, 2013 to \$209,014 for the year ended June 30, 2014.
- Total operating expenses decreased by \$96,552 or 8%, from \$1,281,111 for the year ended June 30, 2013 to \$1,184,559 for the year ended June 30, 2014.
- Total non-operating revenue decreased by \$14,800 or 2%, from \$975,555 for the year ended June 30, 2013 to \$960,755 for the year ended June 30, 2014.

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 activity is the sale of recyclables.

STATEMENTS OF NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Current assets	\$ 55,713	\$ 50,647
Capital assets	<u>131,807</u>	<u>177,367</u>
Total Assets	<u>\$ 187,520</u>	<u>\$ 228,014</u>
Current liabilities	\$ 92,184	\$ 112,198
Non-Current liabilities	<u>890</u>	<u>6,580</u>
Total Liabilities	<u>\$ 93,074</u>	<u>\$ 118,778</u>
Net Assets (Accumulated Deficit)		
Invested in capital assets, net of related debt	\$ 125,227	\$ 159,550
Temporarily restricted	4,500	-
Unrestricted	<u>(35,281)</u>	<u>(50,314)</u>
Total Net Assets	<u>\$ 89,946</u>	<u>\$ 109,236</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 \$5,066 primarily due to accounts receivable – grants of \$7,066 at June 30, 2014. There was no accounts receivable – grants at June 30, 2013.

Net capital assets decreased \$45,560 during the year from \$177,367 at June 30, 2013 to \$131,807 at June 30, 2014. The change can be largely attributed to depreciation expense of \$57,547 partially offset by additions to site and building improvements and vehicles of \$11,987.

Current liabilities decreased by \$20,014, due largely to a \$60,000 decrease in short term notes payable partially offset by an increase in Accounts payable of \$45,533. Additionally, the capital lease obligation – current decreased \$5,547. Long-term liabilities decreased \$5,690 due to payments on the capital lease obligation during the year ended June 30, 2014.

CHANGE IN UNRESTRICTED ACCUMULATED DEFICIT

Unrestricted Accumulated Deficit at the beginning of the year	\$ (50,314)
Change in Unrestricted Accumulated Deficit	<u>15,033</u>
Unrestricted Accumulated Deficit at the end of the year	<u>\$ (35,281)</u>

While the results of operations are a significant measure of the Trust's activities, the analysis of the change in unrestricted accumulated deficit provides a clearer change in financial well-being. The decrease in unrestricted accumulated deficit is in large part due to reductions in invested in capital assets, net of related debt of \$34,323. The decrease in invested in capital assets, net of related debt is primarily due to depreciation expense partially offset by the decrease in the capital lease obligation.

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>2014</u>	<u>2013</u>
Revenue		
Recycling depot income	\$ 203,436	\$ 226,957
Membership assessments	914,800	930,800
Private donations	12,730	15,677
State of Oklahoma grant	34,500	30,000
Other	<u>5,594</u>	<u>3,281</u>
Total Revenues	<u>1,171,060</u>	<u>1,206,715</u>
Expenses		
Salaries and administrative contract labor	198,951	224,283
Operating	839,694	915,518
Administrative	59,530	67,051
Advertising	26,707	26,655
Professional fees	2,130	810
Depreciation	57,547	46,794
Interest Expense	<u>1,291</u>	<u>1,424</u>
Total Expenses	<u>1,185,850</u>	<u>1,282,535</u>
Change in Net Assets	<u>\$ (14,790)</u>	<u>\$ (75,820)</u>

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

Total revenues decreased by \$35,655 or 3%, due primarily to a decrease in Recycling Depot Income of \$23,521 and a reduction in membership assessments of \$16,000. The decrease in membership assessments was due to a one-time assessment in 2012 to the City of Tulsa related to implementation of the City's curbside recycling program. Total expenses decreased \$96,684 or 8% due primarily to general decreases in operating expenses of \$75,824 and decreased salaries & administrative contract labor of \$25,332.

CAPITAL ASSETS

As of June 30, 2014, the Trust had \$131,807 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$45,560 from the end of last year.

	<u>2014</u>	<u>2013</u>
Site improvements	\$ 208,613	\$ 204,593
Office furniture and equipment	24,265	23,664
Transportation equipment	320,586	320,042
Processing equipment	<u>173,045</u>	<u>171,715</u>
Total cost of assets	726,509	720,014
Less accumulated depreciation	<u>594,702</u>	<u>542,647</u>
Net	<u>\$ 131,807</u>	<u>\$ 177,367</u>

The following summarizes the changes in capital assets.

CHANGES IN CAPITAL ASSETS

Balance, beginning of year	\$ 177,367
Additions to capital assets	11,987
Depreciation	<u>(57,547)</u>
Balance, end of year	<u>\$ 131,807</u>

This year's major additions are summarized as follows:

Computer Equipment	\$ 544
Site and building improvements	<u>11,443</u>
Total Additions	<u>\$ 11,987</u>

ECONOMIC FACTORS

The Trust has contracts in place with the eleven member governments that assure funding through June 30, 2014. The board is presented a budget at the February Board of Directors meeting each year for the following year, and generally it is approved at the March meeting. While there is always a risk of a member government withdrawing from the Trust membership or closing of a recycling depot in that community, there have also been discussions with other communities and tribal governments about the possibility of them joining the Trust.

The Trust is also revenue dependent on brokering collected recyclables. The value of individual commodities can swing widely and vary as much as 50% to 150% of today's price. The Trust budgets a conservative prediction and has been ahead of revenue projections in nine of the last ten years. In addition, the contracts that employ workers at the sites and baling center are voidable with a 30 day written notice.

The Trust has also established a 501(c)(3), The Friends of the M.E.T., Inc., to allow tax-deductible contributions to the operating fund. Finally, the Trust has begun selling advertising for its directory and trailers.

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 Auditor's Report

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 June 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Trustees
The Metropolitan Environmental Trust

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Governmental 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 required supplementary 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 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.



December 18, 2014

THE METROPOLITAN ENVIRONMENTAL TRUST

STATEMENTS OF NET ASSETS

<i>June 30,</i>	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 300	\$ 300
Accounts receivable:		
Trade (no allowance for doubtful accounts)	24,600	22,214
Grants	7,066	-
Other	307	10
Prepaid expenses	6,173	5,541
Inventory	17,267	22,582
	<u>55,713</u>	<u>50,647</u>
Total Current Assets		
	<u>55,713</u>	<u>50,647</u>
Property and Equipment, at cost:		
Site improvements	208,474	204,593
Office furniture and equipment	23,664	23,664
Transportation equipment	320,586	320,042
Processing equipment	171,715	171,715
	<u>724,439</u>	<u>720,014</u>
	724,439	720,014
Less accumulated depreciation	<u>592,632</u>	<u>542,647</u>
	592,632	542,647
Net Property and Equipment, at cost	<u>131,807</u>	<u>177,367</u>
	131,807	177,367
	<u>\$ 187,520</u>	<u>\$ 228,014</u>
	\$ 187,520	\$ 228,014

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

<i>June 30,</i>	2014	2013
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 86,494	\$ 40,961
Note payable	-	60,000
Capital lease obligation - current	<u>5,690</u>	<u>11,237</u>

Total Current Liabilities	<u>92,184</u>	<u>112,198</u>
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Long-Term Liabilities:

Capital lease obligation - long-term	<u>890</u>	<u>6,580</u>
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TOTAL LIABILITIES	<u>93,074</u>	<u>118,778</u>
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Net Assets (Accumulated Deficit):

Invested in capital assets, net of related debt	125,227	159,550
Temporarily restricted	4,500	-
Unrestricted	<u>(35,281)</u>	<u>(50,314)</u>

Total Net Assets	<u>94,446</u>	<u>109,236</u>
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	<u>\$ 187,520</u>	<u>\$ 228,014</u>
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THE METROPOLITAN ENVIRONMENTAL TRUST
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS

<i>Years Ended June 30,</i>	2014	2013
Operating Revenue:		
Recycling depot income	\$ 203,436	\$ 226,957
Other	5,578	2,779
Total Operating Revenue	209,014	229,736
Operating Expenses:		
Salaries and administrative contract labor	198,951	224,283
Operating	839,694	915,518
Administrative	59,530	67,051
Advertising	26,707	26,655
Professional fees	2,130	810
Depreciation	57,547	46,794
Total Operating Expenses	1,184,559	1,281,111
Operating Loss	(975,545)	(1,051,375)
Nonoperating Revenue (expense):		
Membership assessments:		
General assessment	110,800	100,800
Depot assessment	429,000	480,000
Household pollutants collection event	375,000	350,000
Private donations	12,730	15,677
State of Oklahoma grants	34,500	30,000
Interest income	16	37
Interest expense	(1,291)	(1,424)
Gain/(Loss) on disposal of property and equipment	-	465
Total Net Nonoperating Revenue	960,755	975,555
Change in Net Assets	(14,790)	(75,820)
Net Assets, beginning of year	109,236	185,056
Net Assets, end of year	\$ 94,446	\$ 109,236

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

THE METROPOLITAN ENVIRONMENTAL TRUST

STATEMENTS OF CASH FLOWS

Years Ended June 30,

2014

2013

Cash Flows From Operating Activities:

Revenue:

Recycling depot income	\$ 200,753	\$ 244,421
Compost bin sales	2,415	5,920
Other	5,648	3,285

Expenses:

Salaries and administrative contract labor	(198,951)	(224,283)
Cost of sales - compost bins	(2,485)	(6,426)
Operating	(789,478)	(941,738)
Administrative	(59,530)	(67,051)
Advertising	(26,707)	(26,655)
Professional fees	(2,130)	(810)

Net Cash Used in Operating Activities

(870,465)

(1,013,337)

Cash Flows From Investing Activities:

Interest income received	16	37
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Net Cash Provided by Investing Activities

16

37

Cash Flows From Noncapital Financing Activities:

Membership assessments	914,800	930,800
Private donations	12,730	15,677
State grant	27,434	30,000
City of Tulsa grant	-	22,736

Net Cash Provided by Noncapital Financing Activities

954,964

999,213

Cash Flows From Capital and Related

Financing Activities:

Acquisition and construction of assets	(11,987)	(35,223)
Payments on capital lease obligations	(11,237)	(10,520)
Proceeds (repayment) of short term note	(60,000)	60,000
Interest paid	(1,291)	(1,424)
Proceeds on sale of capital assets	-	1,404

Net Cash Provided by (Used in) Capital and Related Financing Activities

(84,515)

14,237

Increase (Decrease) in Cash and Cash Equivalents

-

150

Cash and Cash Equivalents, beginning of year

300

150

Cash and Cash Equivalents, end of year

\$ 300

\$ 300

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

<i>Years Ended June 30,</i>	2014	2013
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Cash Flows From Operating Activities:

Operating loss	\$ (975,545)	\$ (1,051,375)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	57,547	46,794
Net change in:		
Accounts receivable	(2,683)	17,464
Prepaid expenses	(631)	(223)
Inventory	5,315	(16,962)
Accounts payable	45,532	(9,035)
Net Cash Used in Operating Activities	<u>\$ (870,465)</u>	<u>\$ (1,013,337)</u>

NON-CASH CAPITAL AND FINANCING ACTIVITIES

Equipment addition under capital lease obligation	\$ -	\$ 8,800
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THE METROPOLITAN ENVIRONMENTAL TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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 are insured by the by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

THE METROPOLITAN ENVIRONMENTAL TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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 2014 and 2013, the cities of Tulsa and Broken Arrow combined contributed approximately 57% and 48%, respectively, of the general membership assessments based on the first formula. In 2014 and 2013, the cities of Tulsa and Broken Arrow contributed 74% and 69%, respectively, of the assessments based on the second formula. In 2014 and 2013, the cities of Tulsa and Broken Arrow combined contributed 86% and 76%, respectively, of the assessments based on the third formula. No other single member government accounted for more than 5% of the membership assessments in 2014 and 2013.

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.

THE METROPOLITAN ENVIRONMENTAL TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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.

Subsequent Events: Subsequent events have been evaluated through December 18, 2014, which is the date the financial statements were available to be 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, 2014 and 2013, the costs reimbursed to INCOG were as follows:

	<u>2014</u>	<u>2013</u>
Salaries	\$ 196,168	\$ 221,530
Other operating costs	<u>95,996</u>	<u>118,329</u>
	<u>\$ 292,164</u>	<u>\$ 339,859</u>

3. MAJOR CUSTOMERS

During 2014, four unaffiliated customers accounted for approximately 71% of the Trust's operating revenue. Revenue from these customers aggregated approximately \$144,000 in 2014.

THE METROPOLITAN ENVIRONMENTAL TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

During 2013, two unaffiliated customers accounted for approximately 44% of the Trust's operating revenue. Revenue from these customers aggregated approximately \$100,000 revenue in 2013.

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 future minimum rent obligations at June 30, 2014 are as follows:

2015	48,900
2016	38,400
2017	32,000
Thereafter	8,000

The Trust has entered into lease agreements for equipment to process collected materials at the Trust's bailing center. The lease agreements expire between October 2014 and October 2015 and are capital leases. The agreements require monthly payments of approximately \$995. 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 \$33,418 recorded in processing equipment related to these capital leases at June 30, 2014 and 2013 with \$26,282 and \$15,876 recorded in accumulated depreciation as of June 30, 2014 and 2013, respectively. Additionally, the Trust has a current capital lease obligation of \$5,690 and \$11,237 and a long term capital lease obligation of \$890 and \$6,580 at June 30, 2014 and 2013, respectively. The present value of the future minimum lease payments under capital leases are as follows: 2015 - \$5,690; 2016 \$890.

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 2014 or 2013.

THE METROPOLITAN ENVIRONMENTAL TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

6. NOTE PAYABLE

Note payable to a bank bore interest at 5.75% at June 30, 2013. The note was collateralized by equipment and was paid in full on August 15, 2013. The note was issued to cover operating expenses near year end.

7. PROPERTY AND EQUIPMENT

Activity in property and equipment for 2014 is as follows:

	<u>6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/14</u>
Site improvements	\$204,593	\$ 11,443	\$ 7,562	\$208,614
Office furniture and equipment	23,664	-	-	23,664
Transportation equipment	320,042	544	-	320,586
Processing equipment	<u>171,715</u>	<u>-</u>	<u>-</u>	<u>171,715</u>
Total Depreciable Assets	<u>720,014</u>	<u>11,987</u>	<u>7,562</u>	<u>724,439</u>
Less accumulated depreciation for				
Site improvements	163,833	9,465	7,562	165,736
Office furniture and equipment	19,697	1,641	-	21,338
Transportation equipment	260,122	16,893	-	277,015
Processing equipment	<u>98,995</u>	<u>29,548</u>	<u>-</u>	<u>128,543</u>
Total Accumulated Depreciation	<u>542,647</u>	<u>57,547</u>	<u>7,562</u>	<u>592,632</u>
Net Property and Equipment	<u>\$177,367</u>	<u>\$(45,560)</u>	<u>\$ -</u>	<u>\$131,807</u>

THE METROPOLITAN ENVIRONMENTAL TRUST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Activity in property and equipment for 2013 is as follows:

	<u>6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/13</u>
Site improvements	\$205,808	\$ 2,238	\$ 3,453	\$204,593
Office furniture and equipment	25,058	-	1,394	23,664
Transportation equipment	300,373	32,985	13,316	320,042
Processing equipment	<u>166,235</u>	<u>8,800</u>	<u>3,320</u>	<u>171,715</u>
 Total Depreciable Assets	 <u>697,474</u>	 <u>44,023</u>	 <u>21,483</u>	 <u>720,014</u>
 Less accumulated depreciation for				
Site improvements	157,446	9,277	2,890	163,833
Office furniture and equipment	18,939	1,940	1,182	19,697
Transportation equipment	257,284	16,154	13,316	260,122
Processing equipment	<u>82,728</u>	<u>19,423</u>	<u>3,156</u>	<u>98,995</u>
 Total Accumulated Depreciation	 <u>516,397</u>	 <u>46,794</u>	 <u>20,544</u>	 <u>542,647</u>
 Net Property and Equipment	 <u>\$181,077</u>	 <u>\$ (2,771)</u>	 <u>\$ 939</u>	 <u>\$177,367</u>

**OTHER REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



**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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 of the effectiveness of the Trust's internal control. 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 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

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*.

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.



December 18, 2014