

**FEATHER RIVER DISPOSAL**  
**(A Division of USA Waste of California, Inc., a Delaware Corporation)**

**FINANCIAL STATEMENTS**  
**December 31, 2017**

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

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## INDEPENDENT AUDITOR'S REPORT

To the Management and Board of Directors  
Feather River Disposal  
Quincy, California

We have audited the accompanying financial statements of Feather River Disposal (the "Company") (A Division of USA Waste of California, Inc., a Delaware Corporation), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and retained earnings and cash flows for the year then ended, 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 an opinion 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. 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.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feather River Disposal as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Basis of Presentation*

The accompanying financial statements were prepared to present the assets, liabilities, stockholders' equity, results of operations and cash flows of Feather River Disposal, which is an operating division of USA Waste of California, Inc., and, as described in Note 2, are not intended to be a complete presentation of USA Waste of California, Inc.'s assets, liabilities, stockholders' equity, results of operations and cash flows. Our opinion is not modified with respect to that matter.

### *Related Party Transactions*

As discussed in Note 4 to the financial statements, the Company has a net intercompany receivable from its parent company resulting from various transactions with the parent company including the sweep of all cash receipts, the purchase of fixed assets, and the payments for goods and services. Our opinion is not modified with respect to that matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 13 - 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Restriction on Use**

This report is intended solely for the information and use of the management of the Company and the County of Plumas and is not intended to be and should not be used by anyone other than these specified parties.

*Brogg Christensen Caniglia LLP*

March 14, 2018  
Roseville, California

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

BALANCE SHEET  
December 31, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 600
Accounts receivable, net of allowance for doubtful accounts of \$1,213	341,586
Other receivables	2,039
Inventory	27,941
Prepaid expenses and other assets	4,779
Deferred income tax asset	21,193
	<hr/>
Total current assets	398,138
Property and equipment, net	394,445
Construction in progress	11,075
Intercompany receivable from USA Waste of California, Inc.	5,817,444
	<hr/>
Total assets	\$ 6,621,102

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 80,257
Accrued liabilities	130,094
Deferred income	323,177
	<hr/>
Total current liabilities	533,528
Deferred income tax liability	4,171
	<hr/>
Total liabilities	537,699
Stockholders' equity:	
Common stock	77,044
Retained earnings	6,006,359
	<hr/>
Total stockholders' equity	6,083,403
	<hr/>
Total liabilities and stockholders' equity	\$ 6,621,102

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

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS  
For the Year Ended December 31, 2017

Revenue:	
Residential	\$ 1,026,217
Commercial	1,527,261
Transfer site	497,963
Recycling materials and other revenue	<u>230,730</u>
 Total Revenue	 <u>3,282,171</u>
 Costs and expenses:	
Payroll	889,858
Employee benefits	322,274
Accounting	16,310
Administrative fees	51,320
Advertising and promotion	2,856
Bad debt	7,701
Bank charges	6,531
Contract labor	62,726
Contributions	5,523
Corporate overhead	203,494
Depreciation	172,191
Equipment maintenance	82,975
Equipment rental	7,187
Franchise fee	185,217
Gas and oil	306,439
Insurance	48,453
Miscellaneous	324
Office supplies	4,292
Operating supplies	10,351
Property taxes	10,080
Recycling purchases	125,705
Solid waste disposal	367,897
Subcontractor costs	205,281
Tax and licenses	19,268
Tires	26,913
Travel	7,619
Uniforms	11,433
Utilities and telephone	<u>43,306</u>
 Total costs and expenses	 <u>3,203,524</u>
 Income before provision for income taxes	 78,647
 Provision for income taxes	 <u>32,046</u>
 Net income	 46,601
 Retained earnings, beginning of year	 <u>5,959,758</u>
 Retained earnings, end of year	 <u><u>\$ 6,006,359</u></u>

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

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2017

Cash flows from operating activities:	
Net income	\$ 46,601
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	172,191
Loss on sale of equipment	279
Bad debt expense	6,935
Deferred tax benefit	(74,846)
Changes in operating assets and liabilities:	
Accounts receivable	(70,481)
Other receivables	7,649
Inventory	(5,135)
Prepaid expenses and other assets	(373)
Accounts payable	45,545
Accrued liabilities	32,876
Deferred income	5,042
	<u>166,283</u>
Net cash provided by operating activities	
Cash flows from investing activities:	
Purchases of equipment	(24,216)
Payments capitalized to construction in progress	(11,075)
	<u>(35,291)</u>
Net cash used in investing activities	
Cash flows from financing activities:	
Net change in intercompany payable to USA Waste of California, Inc.	(146,821)
	<u>(15,829)</u>
Change in cash and cash equivalents	
Cash and cash equivalents, beginning of year	16,429
Cash and cash equivalents, end of year	<u>\$ 600</u>

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

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1: ORGANIZATION

Feather River Disposal (the "Company") is a division of USA Waste of California, Inc., a Delaware Corporation (the "Parent"). The Company primarily processes residential, commercial, and industrial refuse collected in Plumas County, California. The Company has established rates for each type of customer based on the type of waste.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis of Presentation

The Company has prepared the accompanying financial statements to present the assets, liabilities and stockholders' equity, results of operations and cash flows which have been specifically allocated to the Feather River Disposal, which is an operating division of USA Waste of California, Inc. The accompanying financial statements do not provide a complete presentation of all of USA Waste of California, Inc.'s assets, liabilities, and stockholders' equity, or the results of operations and cash flows.

Cash and Cash Equivalents

The Company has an analysis checking account which is regularly swept into the Parent's corporate checking account.

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

The Company provides trade credit, in the normal course of business, to its customers. The Company utilizes the allowance method with respect to accounts receivable and estimates losses for uncollectible accounts based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable. Accounts receivable are considered past due after 30 days, not including a four-day grace period, at which time they begin to accrue finance charges at a rate of 1.5% per month. Customer accounts are unsecured.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market, and consists of the following at the year ending December 31, 2017:

Fuel, oil and lubricants	\$ 4,100
Parts & tires	15,723
Recyclable materials	<u>8,118</u>
Total	<u><u>\$ 27,941</u></u>

Property and Equipment

Property and equipment is recorded at cost. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance and repairs are expensed as incurred. When property and equipment is retired, sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in current operations. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.



FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The estimated useful lives of property and equipment are as follows:

Buildings and improvements	15 - 20 Years
Vehicles, machinery and equipment	5 - 10 Years

Revenue Recognition

The Company recognizes revenue as services are provided.

Income Taxes

Income taxes are provided for the tax effects of transaction reported in the financial statements and consist of taxes currently due, plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Company is included in the consolidated federal and state income tax returns filed by the Parent. The provision for income taxes allocates taxes to the Company as if it was a separate taxpayer. After they are filed, the Parent's consolidated income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Administrative Fees

The Company pays an administrative fee to the Nevada market area office of the parent. The administrative fee is calculated based on the Company's pro-rata share of gross operating expenses. The administrative fee charged to the Plumas County contract is limited to \$2,500 per month or \$30,000 annually. The balance of the administrative fee is allocated equally to the Quincy Community Services District and the Chester Public Utility District. In addition, the Company is charged a corporate overhead fee calculated as 6.2% of gross revenue.

Unearned Income

The Company bills commercial customers one month in advance and residential customers three months in advance. These amounts are originally considered to be unearned revenue which is reduced monthly as service is provided. Charges owed to customers that are deemed to be refunds are also included in unearned revenues.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2017 is \$2,856.

Management's Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to use certain estimates and assumptions. Those estimates and assumptions affect the amounts recorded as contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause estimates to change in the future.

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Company has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

The Company reflects the carrying values of trade accounts receivable, other receivables, and trade accounts payable in the financial statements at historical cost, which is materially representative of their fair values principally because of the short-term maturities of these instruments.

The receivable from Waste of California, Inc. is a net intercompany account with no defined maturity date, resulting from transactions with the Parent; accordingly, its fair value is equal to the net amount receivable at the reporting date.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through March 14, 2018, the date that these financial statements were available to be issued.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

Land	\$ 209,800
Buildings and improvements	308,762
Vehicles, machinery and equipment	<u>2,485,532</u>
Subtotal	3,004,094
Less accumulated depreciation	<u>(2,609,649)</u>
Property and equipment, net	<u>\$ 394,445</u>
Construction in progress	<u>\$ 11,075</u>

Depreciation expense for the year ended December 31, 2017 was \$172,191.

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 4: RELATED PARTY TRANSACTIONS

The Parent allocates certain general and administrative expenses and intangible charges to the Company based on estimates of usage which management believes to be reasonable. The amount of these allocated expenses was \$266,572 for the year ended December 31, 2017.

The Parent also directly pays certain expenses on the Company's behalf such as health and workers' compensation insurance, payroll, security services and property and income taxes. Additionally, the Company's accounts payable is processed through cash accounts under the control of the Parent. During the year ended December 31, 2017, the Parent paid \$2,858,128 on behalf of the Company for operating expenses and capital expenditures.

The intercompany receivable from USA Waste of California, Inc., is increased by cash received on behalf of the Company through its sweep account totaling \$3,224,381 for the year ended December 31, 2017.

Intercompany amounts due to or from the Parent are separately maintained by each individual subsidiary or division. Because there is no intent to repay the amounts within the next operating cycle, the amounts are presented net and considered a long-term receivable from the Parent. The net intercompany receivable due from USA Waste of California, Inc., was \$5,817,444 as of December 31, 2017.

Direct transactions with affiliated operating or administrative divisions of the parent corporation consisted of the following:

Revenue:

Oakleaf Global Holdings <i>Commercial</i>	\$	16,625
North Valley Disposal Services <i>Recycling materials and other revenue</i>	\$	68,122

Expenses:

Refuse, Inc. <i>Solid waste disposal</i>	\$	350,226
USA Waste of California, Inc. <i>Administrative fees</i>	\$	51,320

FEATHER RIVER DISPOSAL  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 5: INCOME TAXES

The provision for income taxes consisted of the following for the year ended December 31, 2017:

Federal income tax expense (benefit):	
Current	\$ 83,701
Deferred	<u>(58,608)</u>
Net federal income tax expense	<u>25,093</u>
State income tax expense (benefit):	
Current	23,191
Deferred	<u>(16,238)</u>
Net state income tax expense	<u>6,953</u>
Provision for income taxes	<u>\$ 32,046</u>

The provision for income taxes differs from the expense that would result from applying the federal and state statutory rates to income before income taxes because of certain permanent differences, including other nondeductible expenses.

The net deferred tax assets and liabilities as of December 31, 2017, are as follows:

Current deferred tax assets:	
Allowance for doubtful accounts	\$ 494
Compensated absences	18,995
Accrued bonus	<u>1,704</u>
Net current deferred tax asset	<u>\$ 21,193</u>
Non-current deferred tax liability:	
Property and equipment	<u>\$ 4,171</u>

NOTE 6: RETIREMENT PLANS

The Company provides a 401(k) plan in which all employees who have completed 90 days of service may participate. Participating employees may elect to defer up to 15% of their compensation, and the Company will match 100% of the first 3% and 50% of the next 3% of eligible employee deferrals. The Company's contributions to these plans totaled \$24,156 for the year ended December 31, 2017.

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES

Contracts and Agreements

The Company operates under franchise contracts with the Plumas County Department of Public Works, the Quincy Community Services District, and the Chester Public Utility District for refuse collection and disposal services in Plumas County, California. Substantially all of the Company's revenue is derived from these agreements. The franchise contracts include a franchise fee to be paid on gross commercial and residential revenues. The franchise fee percentage for the year ended December 31, 2017 is 6%. The initial terms of the contracts expire as follows:

Plumas County	Five-Year Roll
Quincy Community Services District	December 31, 2025
Chester Public Utility District	December 31, 2019

The franchise agreements include renewal provisions upon expiration of the initial terms.

The Company has a contract with an affiliated landfill operator, Refuse, Inc., that operates Lockwood Landfill, which is the only landfill operator currently utilized by the Company for ultimate refuse disposal. The initial contract term extends to October 2032. The Company may terminate the agreement with six months' written notice if utilization of the landfill is no longer "commercially feasible" as defined in the contract. The contract automatically terminates if the Company no longer operates transfer sites in Plumas County. The agreement provides for a base rate charge per ton of solid waste disposed at the operator's landfill, subject to periodic increases.

Environmental Clean-Up

The Company was involved in the operations of two Plumas County landfills that were closed in 1994. The Company's contract with Plumas County indemnifies them from closure and post-closure costs or claims relating to the landfill, except for negligent or unlawful actions on the part of the Company. Presently, there are no known issues or claims that could hold the Company responsible for environmental clean-up at these landfills.

Regulations

USA Waste of California, Inc., its subsidiaries and operating divisions, including the Company, are subject to extensive and evolving federal, state and local environmental laws and regulations that have been enacted in response to technological advances and the public's increased concern over environmental issues. As a result of the changing governmental attitudes in this area, management anticipates that the Company will continually modify or replace facilities and alter methods of operation. The majority of the expenditures necessary to comply with the environmental laws and regulations are made in the normal course of business. Although, the Company, to the best of its knowledge, is in compliance in all material respects with the laws and regulations affecting its operations, there is no assurance that the Company will not have to expend substantial amounts for compliance in the future.

Legal Contingencies

The Company is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from some of these matters. The Company is also subject to legal proceedings and claims that arise in the ordinary course of business. An accrual for estimated costs of settlement is recorded when the amount can be determined.

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 8: CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of customer accounts receivable. The Company does not generally require collateral for its customer accounts receivable. The Company's primary source of revenue is derived from the refuse collection operations in Plumas County, California. The Company does not believe a material risk of loss exists with respect to its financial position due to these concentrations of credit risk.

NOTE 9: SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2017, the Company's non-cash investing and financing activities included \$33,927 of net transfers and credits for property and equipment through its intercompany account.

The Company paid no cash for interest or income taxes for the year ended December 31, 2017. Interest and income taxes are paid by the Parent and allocated through the intercompany account.

SUPPLEMENTARY INFORMATION

FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

DEPARTMENTAL STATEMENT OF OPERATIONS  
For the Year Ended December 31, 2017

	Plumas County Contract	Quincy Community Services District	Chester Public Utility District	Total
Revenue:				
Residential	\$ 707,287	\$ 120,624	\$ 198,306	\$ 1,026,217
Commercial	902,346	390,924	233,991	1,527,261
Transfer site	497,963	-	-	497,963
Recycling and other	229,781	300	649	230,730
Total revenue	<u>2,337,377</u>	<u>511,848</u>	<u>432,946</u>	<u>3,282,171</u>
Costs and expenses:				
Payroll	683,956	111,548	94,354	889,858
Employee benefits	248,170	40,148	33,956	322,274
Accounting	16,252	31	27	16,310
Administrative fees	37,280	7,321	6,719	51,320
Advertising and promotion	2,349	275	232	2,856
Bad debt	6,279	770	652	7,701
Bank charges	5,358	635	538	6,531
Contract labor	49,841	6,981	5,904	62,726
Contributions	2,685	2,755	83	5,523
Corporate overhead	144,916	31,735	26,843	203,494
Depreciation	124,336	25,925	21,930	172,191
Equipment maintenance	66,925	8,694	7,356	82,975
Equipment rental	6,839	188	160	7,187
Franchise fee	178,463	3,659	3,095	185,217
Gas and oil	264,860	22,526	19,053	306,439
Insurance	38,673	5,298	4,482	48,453
Miscellaneous	269	30	25	324
Office supplies	3,321	527	444	4,292
Operating supplies	9,880	255	216	10,351
Property taxes	7,180	1,572	1,328	10,080
Recycling purchases	125,705	-	-	125,705
Solid waste disposal	241,723	70,728	55,446	367,897
Subcontractor costs	200,606	2,533	2,142	205,281
Tax and licenses	13,393	2,045	3,830	19,268
Tires	19,584	3,971	3,358	26,913
Travel	5,586	1,101	932	7,619
Uniforms	9,313	1,149	971	11,433
Utilities and telephone	34,014	5,034	4,258	43,306
Total costs and expenses	<u>2,547,756</u>	<u>357,434</u>	<u>298,334</u>	<u>3,203,524</u>
Income (loss) before provision for income taxes	<u>\$ (210,379)</u>	<u>\$ 154,414</u>	<u>\$ 134,612</u>	<u>\$ 78,647</u>



FEATHER RIVER DISPOSAL  
(A Division of USA Waste of California, Inc., a Delaware Corporation)

NOTES TO SUPPLEMENTARY INFORMATION  
December 31, 2017

NOTE 1: SOURCES OF REVENUE AND ALLOCATION METHOD

Revenue from refused collection and disposal services is recorded in each contract area according to where the services are provided. The Company allocates expenses to each contract based on the percentage of revenue by type, excluding transfer site revenue, of each respective contract to total revenue by type. Recycling materials purchased for the Plumas County contract are charged directly to that contract. Administration fees are charged directly to each respective contract according to each contract.

NOTE 2: NON-ALLOWABLE EXPENSES

Under the terms of the contract with Plumas County, certain agreement-related expenses are deemed as non-allowable and are designated as such. Expenses that may be deemed non-allowable include:

Administrative fees	\$ 7,280
Promotional, business development and business-related travel	2,935
Charitable donations	<u>185</u>
 Total non-allowable expenses	 <u>\$ 10,400</u>

NOTE 3: PLUMAS COUNTY CONTRACT – RATE OF RETURN

The Company's contract with Plumas County calls for a targeted rate of return of 10% of gross sales after reasonable and necessary expenses. The rate of return for 2017, calculated in accordance with the County contract, is as follows:

Plumas County contract loss before adjustment for non-allowable expenses	\$ (210,379)
Non-allowable expenses	<u>10,400</u>
 Adjusted Plumas County contract loss	 <u>\$ (199,979)</u>
 Contract revenue – net of solid waste disposal (tipping fees)	 <u>\$ 2,095,654</u>
 Rate of Return (Loss)	 <u>(9.5%)</u>

NOTE 4: REFUSE RATE INDEX EXPENDITURES

For ease of calculation of the annual Refuse Rate Index, expenditures are grouped into the following categories:

Expenditures	Total Expenditures	Non-Allowable Expenditures	Allowable Expenditures
Labor	\$ 981,967	\$ -	\$ 981,967
Diesel fuel	264,860	-	264,860
Vehicle replacement	104,928	-	104,928
Vehicle maintenance	66,925	-	66,925
Disposal	241,723	-	241,723
All other costs	<u>887,353</u>	<u>10,400</u>	<u>876,953</u>
 Total expenditures	 <u>\$ 2,547,756</u>	 <u>\$ 10,400</u>	 <u>\$ 2,537,356</u>