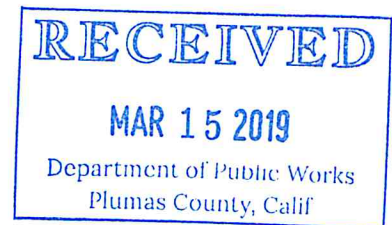


Intermountain Disposal
(A division of Intermountain Disposal, Inc.)
Financial Statements
December 31, 2018 and 2017



Intermountain Disposal
Table of Contents
December 31, 2018

Page

Independent Auditors' Report

1

Financial Statements

- Balance Sheets

2

- Statements of Income and Retained Earnings

3

- Statements of Cash Flows

5

- Notes to Financial Statements

6

**Cupit, Milligan,
Ogden & Williams**
Certified Public Accountants

Shareholders

Edward R. Cupit, CPA (1943-2010)
Ronald A. Milligan, CPA
Thomas M. Ogden, CPA
Melvin L. Williams, CPA

Independent Auditors' Report

**To the Board of Directors and Stockholders,
Intermountain Disposal, Inc.**

We have audited the accompanying financial statements of Intermountain Disposal (a division of Intermountain Disposal, Inc.) which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income and retained earnings and cash flows for the years 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.

Auditors' Responsibility

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. Those standards require that we plan and perform the audits 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 auditors' 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 Intermountain Disposal as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cupit, Milligan, Ogden & Williams

Reno, Nevada
March 8, 2019

Intermountain Disposal
Balance Sheets
December 31, 2018 and 2017

Assets	2018	2017
<i>Current Assets</i>		
Cash	\$ 635,803	\$ 609,246
Accounts receivable, net	156,261	84,638
Prepaid expenses	33,018	39,972
Prepaid income taxes	23,255	4,357
Recycling inventory	-	10,492
Due from related parties	4,477	8,170
<i>Total Current Assets</i>	<u>852,814</u>	<u>756,875</u>
<i>Non-Current Assets</i>		
Property and equipment, net	488,032	505,237
Feasibility study	156,535	156,535
<i>Total Non-Current Assets</i>	<u>644,567</u>	<u>661,772</u>
Total Assets	<u><u>\$ 1,497,381</u></u>	<u><u>\$ 1,418,647</u></u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accounts payable	\$ 64,936	\$ 71,031
Income taxes payable	3	5,774
Accrued liabilities	73,475	48,864
Customer deposits	81,225	67,010
Note payable, current portion	1,631	6,353
<i>Total Current Liabilities</i>	<u>221,270</u>	<u>199,032</u>
<i>Long-term Liabilities</i>		
Deferred income taxes	119,664	77,154
Note payable, net of current portion	-	1,631
<i>Total Long-term Liabilities</i>	<u>119,664</u>	<u>78,785</u>
<i>Total Liabilities</i>	<u>340,934</u>	<u>277,817</u>
<i>Stockholders' Equity</i>		
Capital stock, no par value, 2,500 shares authorized, 1,000 shares issued and outstanding	47,610	47,610
Retained earnings	1,108,837	1,093,220
<i>Total Stockholders' Equity</i>	<u>1,156,447</u>	<u>1,140,830</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,497,381</u></u>	<u><u>\$ 1,418,647</u></u>

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

Intermountain Disposal
Statements of Income and Retained Earnings
For the Years Ended December 31, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Revenue				
Commercial	\$ 602,047	34.55	\$ 552,513	34.77
Residential	379,852	21.80	380,251	23.93
Transfer station	230,175	13.21	201,577	12.68
Roll-off containers	213,936	12.28	192,944	12.14
Tipping fees	127,272	7.30	77,334	4.87
Tipping fees - related party	115,613	6.64	106,816	6.72
Special service	46,875	2.70	16,660	1.05
Recycling	26,563	1.52	61,090	3.84
<i>Total Revenue</i>	<u>1,742,333</u>	<u>100.00</u>	<u>1,589,185</u>	<u>100.00</u>
Operating Expenses				
<i>Labor</i>				
Payroll - route	208,216	11.95	164,917	10.38
Payroll - office	91,265	5.24	87,678	5.52
Payroll - company executive officer	88,374	5.07	88,374	5.56
Payroll - transfer station	58,792	3.37	38,191	2.40
Payroll - taxes	42,006	2.41	36,867	2.32
Retirement plan contribution	59,402	3.41	39,645	2.49
Workers' compensation insurance	26,293	1.51	22,479	1.41
Employee benefits	16,556	0.95	15,673	0.99
Casual labor	-	-	260	0.02
<i>Total Labor</i>	<u>590,904</u>	<u>33.91</u>	<u>494,084</u>	<u>31.09</u>
<i>Diesel Fuel</i>				
Diesel fuel	119,169	6.83	85,527	5.37
<i>Total Diesel Fuel</i>	<u>119,169</u>	<u>6.83</u>	<u>85,527</u>	<u>5.37</u>
<i>Vehicle Replacement</i>				
Depreciation - vehicles	148,461	8.52	145,327	9.14
Equipment rent	26,555	1.52	14,943	0.94
<i>Total Vehicle Replacement</i>	<u>175,016</u>	<u>10.04</u>	<u>160,270</u>	<u>10.08</u>
<i>Vehicle Maintenance</i>				
Vehicle maintenance	103,684	5.95	41,203	2.59
Tires	47,601	2.73	26,605	1.67
<i>Total Vehicle Maintenance</i>	<u>151,285</u>	<u>8.68</u>	<u>67,808</u>	<u>4.26</u>
<i>Disposal</i>				
Dump fees	211,023	12.11	167,496	10.54
Franchise fees	81,856	4.70	74,355	4.68
Hazardous waste	13,709	0.79	19,622	1.23
Transfer station rental	9,600	0.55	7,200	0.45
Recycling buy-back	-	-	10,896	0.69
<i>Total Disposal</i>	<u>316,188</u>	<u>18.15</u>	<u>279,569</u>	<u>17.59</u>

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

Intermountain Disposal
Statements of Income and Retained Earnings
For the Years Ended December 31, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
<i>All Other</i>				
Building rent - related party	69,831	4.01	70,560	4.44
Insurance	50,024	2.87	39,047	2.46
Accounting	44,698	2.57	45,291	2.85
Business taxes, licenses and fees	37,913	2.18	59,426	3.74
Operating and office supplies	31,742	1.82	30,366	1.91
Telephone and internet	22,685	1.30	12,698	0.80
Depreciation - equipment	22,487	1.29	20,273	1.28
Utilities	11,352	0.65	11,435	0.72
Equipment rental - related party	8,580	0.49	8,547	0.54
General maintenance	8,463	0.49	7,908	0.50
Equipment maintenance	6,320	0.36	4,310	0.27
Fuel, oil and lubricants	5,074	0.29	6,367	0.40
Other rent	4,961	0.28	4,621	0.29
Depreciation - leasehold improvements	2,378	0.14	2,427	0.15
Entertainment	1,545	0.09	1,087	0.07
Association dues	1,443	0.08	55	-
Advertising and promotion	1,222	0.07	1,902	0.12
Bad debts	1,054	0.06	2,013	0.13
Charitable contributions	600	0.03	850	0.05
Depreciation - office	497	0.03	497	0.03
Legal	214	0.01	2,168	0.14
<i>Total All Other</i>	<u>333,083</u>	<u>19.11</u>	<u>331,848</u>	<u>20.89</u>
<i>Total Operating Expenses</i>	<u>1,685,645</u>	<u>96.72</u>	<u>1,419,106</u>	<u>89.28</u>
Operating Income	<u>56,688</u>	<u>3.28</u>	<u>170,079</u>	<u>10.72</u>
Other Income (Expense)				
Interest income	3,001	0.17	1,353	0.09
Interest expense	(4,425)	(0.25)	(3,905)	(0.25)
Refunds	1,448	0.08	2,795	0.18
Miscellaneous	1,279	0.07	(931)	(0.06)
Bad debts recovered	155	0.01	-	-
<i>Total Other Income (Expense)</i>	<u>1,458</u>	<u>0.08</u>	<u>(688)</u>	<u>(0.04)</u>
Income Before Income Taxes	<u>58,146</u>	<u>3.36</u>	<u>169,391</u>	<u>10.68</u>
Income Tax Expense	<u>(42,529)</u>	<u>(2.44)</u>	<u>(66,639)</u>	<u>(4.19)</u>
Net Income	<u>15,617</u>	<u>0.92</u>	<u>102,752</u>	<u>6.49</u>
Retained Earnings, Beginning of Period	<u>1,093,220</u>		<u>990,468</u>	
Retained Earnings, End of Period	<u>\$ 1,108,837</u>		<u>\$ 1,093,220</u>	

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

Intermountain Disposal
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net Income	\$ 15,617	\$ 102,752
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	173,824	168,524
Deferred income taxes	42,510	(12,726)
Bad debts	1,054	2,013
Changes in operating assets and liabilities		
Accounts receivable, net	(72,677)	(18,923)
Prepaid expenses	6,954	(14,375)
Prepaid income taxes	(18,898)	(4,357)
Recycling inventory	10,492	18,378
Accounts payable	(6,095)	43,985
Income taxes payable	(5,771)	(36,481)
Accrued liabilities	24,611	36,075
Customer deposits	14,215	4,088
Net Cash Provided by Operating Activities	<u>185,836</u>	<u>288,953</u>
Cash Flows from Investing Activities		
Capital expenditures	<u>(156,619)</u>	<u>(129,317)</u>
Net Cash Used by Investing Activities	<u>(156,619)</u>	<u>(129,317)</u>
Cash Flows from Financing Activities		
Proceeds from stockholder loan	97,632	81,066
Principal payments on note payable	(6,353)	(6,085)
Principal payments on stockholder loan	(97,632)	(81,066)
Due to related party	<u>3,693</u>	<u>3,583</u>
Net Cash Used by Financing Activities	<u>(2,660)</u>	<u>(2,502)</u>
Net Increase in Cash	26,557	157,134
Cash, Beginning of Period	<u>609,246</u>	<u>452,112</u>
Cash, End of Period	<u>\$ 635,803</u>	<u>\$ 609,246</u>
Supplemental Disclosure of Cash Flow Information		
<i>Cash paid during the period for</i>		
Interest	<u>\$ 4,425</u>	<u>\$ 3,905</u>
Income taxes	<u>\$ 28,622</u>	<u>\$ 120,203</u>

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

1. Summary of Significant Accounting Policies

Organization

Intermountain Disposal, Inc. was incorporated in 1991 in the State of California and is comprised of three divisions: Intermountain Disposal (the "Company"), Sierra Disposal and Portola Disposal. The Company is principally engaged in the business of providing solid waste management and collection for commercial, residential, roll-off container service and transfer station operations in Eastern Plumas County under an exclusive franchise agreement with the County of Plumas. The Company also provides recycling services at the Delleker Recycling Center and commingled recycling at the Graeagle Transfer Station under the agreement. The franchise agreement is effective through March 31, 2027 with provisions for extensions of five year increments, not to exceed ten years from the expiration date of the agreement.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 8, 2019, the date the financial statements were available to be issued.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Income tax reporting is on the cash basis of accounting.

Estimates

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

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing receivables. The Company determines the allowance based on historical write-off experience. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is remote. The Company does not have any off-balance sheet credit exposure related to its receivables. The allowance for doubtful accounts was \$3,018 for the years ended December 31, 2018 and 2017, respectively.

Recycling inventory

Inventory consists of cardboard. Inventory is valued at the lower of cost (first-in, first-out) and market. Market is determined based on net realizable value.

Property and Equipment

Property and equipment in excess of \$500 are capitalized at cost. The Company's policy is to depreciate property and equipment using the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

Feasibility Study

The Company is conducting a study to determine the feasibility of constructing a material recovery facility in Eastern Plumas County. The costs of the study have been capitalized and will be amortized over a period of fifteen years commencing in the year the facility is placed in service. If the Company decides to abandon the project, the capitalized costs of the project will be taken as an expense in the year of abandonment.

Intermountain Disposal
Notes to Financial Statements
December 31, 2018

Revenue Recognition

Revenue is recognized in the period that services are provided.

Accounting for Income Taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income taxes are allocated between the three divisions based on each division's proportion of taxable income to total taxable income.

Corporate Expenses

Corporate expenses, including overhead expenses such as rent, utilities, insurance and office supplies, are allocated approximately sixty-three percent to Intermountain Disposal, twenty-three percent to Sierra Disposal and fourteen percent to Portola Disposal based on their relative total revenues. The company executive officer's salary allocated to Intermountain Disposal was \$88,374 for each of the years ended December 31, 2018 and 2017. The company financial officer's salary allocated to Intermountain Disposal was \$59,438 and \$57,750 for the years ended December 31, 2018 and 2017, respectively.

New Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. The Company adopted ASU 2015-17 on a retrospective basis. Accordingly, the prior year current deferred tax assets and liabilities were reclassified to noncurrent deferred tax liabilities.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

2. Related Party Transactions

Tipping Fees

Related party revenue includes tipping fees charged to other divisions. For the years ended December 31, 2018 and 2017, tipping fees charged to Portola Disposal were \$108,974 and \$94,627, respectively. For the years ended December 31, 2018 and 2017, tipping fees charged to Sierra Disposal were \$6,638 and \$12,189, respectively.

Equipment Rental

Related party expenses include equipment rental expense incurred by the Company for use of Sierra Disposal's storage bins. For the years ended December 31, 2018 and 2017, equipment rental expense charged to the Company by Sierra Disposal was \$8,580 and \$8,547, respectively.

Intermountain Disposal
Notes to Financial Statements
December 31, 2018

Due From (To) Related Parties

The following amounts were due from or to Sierra Disposal, Portola Disposal and a stockholder at December 31,

	<u>2018</u>	<u>2017</u>
Due from (to) Sierra Disposal	\$ (537)	\$ 1,494
Due from (to) Portola Disposal	4,969	6,676
Due from (to) Stockholder	<u>45</u>	<u>-</u>
Due from (to) related parties	<u>\$ 4,477</u>	<u>\$ 8,170</u>

Such amounts were recorded as due from related parties. For the years ended December 31, 2018 and 2017, no amounts of income taxes were paid by the Company for other divisions and no amounts were paid by other divisions for the Company.

Building Rent

The Company rents their operating facilities and office space from the stockholders. Total building rent was \$69,831 and \$70,560 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, no amounts of rent were due to the stockholders.

Stockholder Loan

The Company had an unsecured loan due to a stockholder during the year ended December 31, 2018. The loan is more fully described in Note 6.

3. Concentrations

Concentration of Activity

The Company collects and hauls solid waste within the limits of Eastern Plumas County, excluding the City of Portola.

Concentrations of Credit Risk

The Company maintains cash balances at financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2018, the Company had approximately \$183,000 of cash in excess of insured limits.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Company's customer base. Due to the diverse customer base, the Company's business is not influenced by minor economic changes affecting the area. The Company does not consider itself to have significant concentrations of credit risk.

Intermountain Disposal
Notes to Financial Statements
December 31, 2018

4. Property and Equipment

Property and equipment consisted of the following at December 31,

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 1,902,605	\$ 1,765,333
Disposal equipment	657,980	638,633
Office furniture	48,364	48,364
Leasehold improvements	86,423	86,423
Software	4,646	4,646
	<hr/>	<hr/>
Total property and equipment	2,700,018	2,543,399
	<hr/>	<hr/>
Less accumulated depreciation	2,211,986	2,038,162
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 488,032</u>	<u>\$ 505,237</u>

5. Note Payable

The note payable consisted of the following at December 31,

<u>Instrument</u>	<u>Collateral</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance 2018</u>	<u>Balance 2017</u>
Note payable	Vehicle	\$ 548	4.31%	03/28/19	\$ 1,631	\$ 7,984
					1,631	7,984
Note payable, current portion					1,631	6,353
					<hr/>	<hr/>
Note payable, net of current portion					<u>\$ -</u>	<u>\$ 1,631</u>

The following schedule represents future principal payments on notes payable for the years ending December 31,

2019	\$ 1,631
Thereafter	<hr/>
	<u>\$ 1,631</u>

The vehicle securing the note payable is included in vehicles within property and equipment. The net book value of the vehicle was \$1,976 as of December 31, 2018.

6. Stockholder Loan

The Company obtained an unsecured short-term loan from a stockholder during the year ended December 31, 2018. The loan accrued interest at 5.5% and was due by December 31, 2018. The Company made one balloon payment of \$97,632, and the loan and all accrued interest were paid off as of December 31, 2018.

7. Obligations under Operating Leases & Agreements

The Company rents facilities from the County of Plumas under its franchise agreement and leases vehicles under operating lease agreements. The following table represents future minimum lease payments required under the operating leases and agreements for the years ending December 31,

2019	\$ 37,291
2020	25,896
2021	12,319
2022	9,600
2023	9,600
Thereafter	31,200
	<u>\$ 125,906</u>

Equipment rent expense for the years ended December 31, 2018 and 2017 was \$26,555 and \$14,943, respectively. Rent expense related to use of County facilities for the years ended December 31, 2018 and 2017 was \$9,600 and \$7,200, respectively.

8. Tipping Fees

Tipping fees earned from Sierra County Public Works for the years ended December 31, 2018 and 2017 were \$127,272 and \$77,334, respectively. Such services began in March 2017.

9. Retirement Plan

Intermountain Disposal, Inc. has a retirement plan and trust covering all eligible employees. Under the retirement plan, the corporation may contribute an amount designated by management to the extent permissible under the Internal Revenue Code. The total contribution for the year ended December 31, 2018 was \$102,500, and the portion allocated to the Company was \$59,402. The total contribution for the year ended December 31, 2017 was \$76,849, and the portion allocated to the Company was \$39,645.

10. Income Taxes

Deferred Income Taxes

Significant components of the Company's net deferred income tax liability consisted of the following at December 31,

	<u>2018</u>	<u>2017</u>
Deferred tax (liabilities) asset		
Net cash basis	\$ (16,598)	\$ 2,768
Property and equipment	<u>(103,066)</u>	<u>(79,922)</u>
Net deferred income tax liability	<u>\$ (119,664)</u>	<u>\$ (77,154)</u>

Intermountain Disposal
Notes to Financial Statements
December 31, 2018

The net deferred tax liability by tax jurisdiction consisted of the following at December 31,

	<u>2018</u>	<u>2017</u>
Deferred tax assets		
Net cash basis		
Federal	\$ -	\$ 1,742
State	-	1,026
	<u>-</u>	<u>2,768</u>
Total deferred tax assets		
	<u>-</u>	<u>2,768</u>
Deferred tax liabilities		
Net cash basis		
Federal	(11,681)	-
State	(4,917)	-
Property and equipment		
Federal	(89,689)	(64,462)
State	(13,377)	(15,460)
	<u>(119,664)</u>	<u>(79,922)</u>
Total deferred tax liabilities		
	<u>(119,664)</u>	<u>(79,922)</u>
Net deferred tax liabilities	<u>\$ (119,664)</u>	<u>\$ (77,154)</u>

Income Tax Provision

The provision for income taxes consisted of the following for the years ended December 31,

	<u>2018</u>	<u>2017</u>
Current income tax (expense) benefit		
Federal	\$ 24	\$ (60,636)
State	(43)	(18,729)
Deferred income tax (expense) benefit		
Federal	(38,650)	9,385
State	(3,860)	3,341
	<u>(42,529)</u>	<u>(66,639)</u>
Total income tax expense	<u>\$ (42,529)</u>	<u>\$ (66,639)</u>

Intermountain Disposal, Inc. files federal and California state income tax returns. The total income tax expense or benefit from the tax returns is allocated to the corporation's three divisions based on their relative taxable income or loss.

These tax returns are subject to examination by taxation authorities provided the years remain open under the relevant statutes of limitations. The Company is no longer subject to income tax examinations by US federal tax authorities for years prior to 2015 and state tax authorities for years prior to 2014. The Company currently has no tax years under examination.

2017 Tax Cuts and Job Act

On December 22, 2017, the U.S. enacted the 2017 Tax Cuts and Jobs Act. Among the many provisions included in the tax reform is a provision to change the U.S. federal corporate income tax rates from 15% and 35% to 21% effective January 1, 2018. Prior to the 2017 Tax Cuts and Job Act, the values of the Company's deferred tax assets

Intermountain Disposal
Notes to Financial Statements
December 31, 2018

and liabilities were recorded at an estimated effective income tax rate of 15%, which represented their expected future benefit or expense to the Company. As a result of the tax reform, those deferred balances were re-measured at the new income tax rate of 21% and a \$364 adjustment was recorded for the year ended December 31, 2017. The effects of the rate change was determined using management's best estimate of temporary book-to-tax differences.

