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Department of Public Works
Plumas County, Calif

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

FINANCIAL STATEMENTS
December 31, 2019 and 2018

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Christensen
Caniglia

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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 sheets as of December 31, 2019 and 2018, and the related statements of operations 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.

Auditor's 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 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, 2019 and 2018, 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.



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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 14 - 15 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

February 13, 2020
Roseville, California

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

BALANCE SHEETS
December 31, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 7,530	\$ 600
Accounts receivable, net of allowance for doubtful accounts of \$2,091 and \$2,563, respectively	409,885	341,995
Other receivables	68,931	5,422
Inventory	28,097	30,571
Prepaid expenses and other assets	7,744	4,323
Total current assets	522,187	382,911
Property and equipment, net	296,218	302,917
Construction in progress	20,544	18,805
Intercompany receivable from USA Waste of California, Inc.	5,716,592	5,684,842
Deferred income tax asset	20,593	35,229
Total assets	<u>\$ 6,576,134</u>	<u>\$ 6,424,704</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 46,310	\$ 67,292
Accrued liabilities	121,133	102,258
Deferred income	393,634	342,621
Total current liabilities	561,077	512,171
Stockholders' equity:		
Common stock	77,044	77,044
Retained earnings	5,938,013	5,835,489
Total stockholders' equity	6,015,057	5,912,533
Total liabilities and stockholders' equity	<u>\$ 6,576,134</u>	<u>\$ 6,424,704</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)

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenue:		
Residential	\$ 1,133,183	\$ 1,049,957
Commercial	1,734,434	1,561,781
Transfer site	471,432	434,705
Recycling materials and other revenue	204,805	261,821
Total Revenue	<u>3,543,854</u>	<u>3,308,264</u>
Costs and expenses:		
Payroll	1,014,076	1,018,406
Employee benefits	343,814	348,075
Accounting	18,900	13,000
Administrative fees	38,850	41,142
Advertising and promotion	5,515	9,538
Bad debt	15,454	15,579
Bank charges	17,005	16,901
Contract labor	49,245	57,192
Contributions	5,023	6,848
Corporate overhead	235,715	216,672
Depreciation	47,840	113,308
Equipment maintenance	94,333	111,574
Equipment rental	11,094	15,950
Gas and oil	206,903	326,704
Insurance	20,794	24,151
Miscellaneous	571	800
Office supplies	10,960	5,371
Operating supplies	5,370	7,805
Property taxes	12,532	10,628
Recycling purchases	125,486	131,613
Solid waste disposal	444,924	384,146
Subcontractor costs	540,724	398,461
Tax and licenses	27,656	17,302
Tires	33,299	25,275
Travel	5,985	12,127
Uniforms	11,972	13,684
Utilities and telephone	57,710	50,088
Total costs and expenses	<u>3,401,750</u>	<u>3,392,340</u>
Income (loss) before provision for income taxes	142,104	(84,076)
Provision for income taxes expense (benefit)	39,580	(18,206)
Net income (loss)	102,524	(65,870)
Retained earnings, beginning of year	5,835,489	5,901,359
Retained earnings, end of year	<u>\$ 5,938,013</u>	<u>\$ 5,835,489</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)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 102,524	\$ (65,870)
Adjustments to reconcile net income (loss) to net cash net cash provided by operating activities:		
Depreciation and amortization	47,840	113,308
Bad debt expense	14,404	14,406
Deferred tax benefit	14,636	(18,207)
Changes in operating assets and liabilities:		
Accounts receivable	(82,294)	(14,815)
Other receivables	(63,509)	(3,383)
Inventory	2,474	(2,630)
Prepaid expenses and other assets	(3,421)	456
Accounts payable	(20,982)	(12,965)
Accrued liabilities	18,875	(27,836)
Deferred income	51,013	19,444
Net cash provided by operating activities	<u>81,560</u>	<u>1,908</u>
Cash flows from investing activities:		
Purchases of equipment	(18,594)	(10,704)
Payments capitalized to construction in progress	<u>(1,739)</u>	<u>(18,805)</u>
Net cash used in investing activities	<u>(20,333)</u>	<u>(29,509)</u>
Cash flows from financing activities:		
Net change in intercompany payable to USA Waste of California, Inc.	<u>(54,297)</u>	<u>27,601</u>
Change in cash and cash equivalents	6,930	-
Cash and cash equivalents, beginning of year	<u>600</u>	<u>600</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,530</u></u>	<u><u>\$ 600</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)

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 net realizable value, and consists of the following at the years ending December 31, 2019 and 2018:

	2019	2018
Fuel, oil and lubricants	\$ 5,397	\$ 5,665
Parts & tires	17,132	17,200
Recyclable materials	5,568	7,706
Total	<u>\$ 28,097</u>	<u>\$ 30,571</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

In 2018, the Company adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606 (FASB ASC 606) as revised by Accounting Standards Update 2014-09 (ASU 2014-09) using the full retrospective approach for all ongoing customer contracts.

The impact of adopting the amended guidance primarily relates to the recognition of certain consideration payable to our customers as a reduction in operating revenues, which under historical guidance was recorded as operating expenses.

For contracts with an effective term greater than one year, the Company has applied the standard's practical expedient that permits the exclusion of unsatisfied performance obligations as the right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations. The Company has also applied the standard's optional exemption for performance obligations related to contracts that have an original expected duration of one year or less.

Long-Term Contracts

A portion of the total revenue is derived from contracts with an effective term greater than one year. The consideration for these contracts is variable in nature. The variable elements of these contracts primarily include the number of homes and businesses served and annual rate changes based on consumer price index, fuel prices or other operating costs. Such contracts are generally within the collection, recycling and other lines of business. The Company has not disclosed the value of unsatisfied performance obligations for these contracts as the right to consideration corresponds directly to the value provided to the customer for services completed to date and all future variable consideration is allocated to wholly unsatisfied performance obligations.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Company presents all deferred tax liabilities and assets as a net noncurrent.

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 years ended December 31, 2019 and 2018 is \$5,515 and \$9,538, respectively.

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, 2019 and 2018

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 February 13, 2020, the date that these financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019 and 2018:

	2019	2018
Land	\$ 209,800	\$ 209,800
Buildings and improvements	308,762	308,762
Vehicles, machinery and equipment	3,028,522	2,601,896
Subtotal	3,547,084	3,120,458
Less accumulated depreciation	(3,250,866)	(2,817,541)
Property and equipment, net	\$ 296,218	\$ 302,917
Construction in progress	\$ 20,544	\$ 18,805

Depreciation expense for the years ended December 31, 2019 and 2018 were \$47,840 and \$113,308, respectively.

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 \$296,727 and \$275,309 for the years ended December 31, 2019 and 2018, respectively.

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 years ended December 31, 2019 and 2018, the Parent paid \$3,359,044 and \$3,288,676, respectively, 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 \$3,666,294 and \$3,495,955 for the years ended December 31, 2019 and 2018, respectively.

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 \$5,716,592 and \$5,684,842 as of December 31, 2019 and 2018, respectively.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4: RELATED PARTY TRANSACTIONS (CONTINUED)

Direct transactions with affiliated operating or administrative divisions of the parent corporation for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Revenue:		
Oakleaf Global Holdings <i>Commercial</i>	\$ 43,556	\$ 31,848
North Valley Disposal Services <i>Recycling materials and other revenue</i>	\$ 69,887	\$ 74,998
Expenses:		
Refuse, Inc. <i>Solid waste disposal</i>	\$ 357,302	\$ 338,317
USA Waste of California, Inc. <i>Administrative fees</i>	\$ 38,850	\$ 41,142

NOTE 5: INCOME TAXES

The provision for income taxes consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Federal income tax expense (benefit):		
Current	\$ 17,065	\$ -
Deferred	10,012	(10,770)
Net federal income tax expense (benefit)	27,077	(10,770)
State income tax expense (benefit):		
Current	7,880	-
Deferred	4,623	(7,436)
Net state income tax expense (benefit)	12,503	(7,436)
Provision for income tax expense (benefit)	\$ 39,580	\$ (18,206)

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5: INCOME TAXES (CONTINUED)

The net deferred tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	\$ 585	\$ 717
Compensated absences	16,669	13,015
Accrued bonus	2,789	2,640
Prepaid taxes and licenses	(2,167)	(1,210)
Property and equipment	2,717	14,283
Net operating loss	-	5,784
	<hr/>	<hr/>
Net deferred tax asset (liability)	\$ 20,593	\$ 35,229
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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 \$32,916 and \$32,490 for the years ended December 31, 2019 and 2018, respectively.

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 each of the years ended December 31, 2019 and 2018 is 6%. The initial terms of the contracts expire as follows:

Plumas County	March 31, 2027
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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7: COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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, 2019, the Company's non-cash investing and financing activities included \$22,547 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 years ended December 31, 2019 and 2018. 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, 2019

	Plumas County Contract	Quincy Community Services District	Chester Public Utility District	Total
Revenue:				
Residential	\$ 775,315	\$ 143,644	\$ 214,224	\$ 1,133,183
Commercial	1,027,416	448,620	258,398	1,734,434
Transfer site	471,432	-	-	471,432
Recycling and other	203,469	424	912	204,805
Total revenue	<u>2,477,632</u>	<u>592,688</u>	<u>473,534</u>	<u>3,543,854</u>
Costs and expenses:				
Payroll	777,326	131,603	105,147	1,014,076
Employee benefits	267,418	42,467	33,929	343,814
Accounting	21,656	(1,532)	(1,224)	18,900
Administrative fees	30,069	4,976	3,805	38,850
Advertising and promotion	4,274	690	551	5,515
Bad debt	12,549	1,615	1,290	15,454
Bank charges	13,817	1,772	1,416	17,005
Contract labor	36,123	7,294	5,828	49,245
Contributions	2,554	2,454	15	5,023
Corporate Overhead	169,459	36,767	29,489	235,715
Depreciation	34,650	7,332	5,858	47,840
Equipment maintenance	76,532	9,895	7,906	94,333
Equipment rental	8,235	1,589	1,270	11,094
Gas and oil	154,879	28,919	23,105	206,903
Insurance	15,982	2,675	2,137	20,794
Miscellaneous	402	94	75	571
Office supplies	8,824	1,191	945	10,960
Operating supplies	4,211	644	515	5,370
Property taxes	8,805	2,072	1,655	12,532
Recycling purchases	125,486	-	-	125,486
Solid waste disposal	346,090	71,977	26,857	444,924
Subcontractor costs	533,943	3,769	3,012	540,724
Tax and licenses	20,579	3,934	3,143	27,656
Tires	23,833	5,262	4,204	33,299
Travel	4,364	901	720	5,985
Uniforms	10,028	1,081	863	11,972
Utilities and telephone	43,950	7,649	6,111	57,710
Total costs and expenses	<u>2,756,038</u>	<u>377,090</u>	<u>268,622</u>	<u>3,401,750</u>
Income (loss) before provision for income taxes	<u>\$ (278,406)</u>	<u>\$ 215,598</u>	<u>\$ 204,912</u>	<u>\$ 142,104</u>

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

NOTES TO SUPPLEMENTARY INFORMATION
December 31, 2019

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:

Promotional, business development and business-related travel	\$ 4,274
Charitable donations	<u>967</u>
Total non-allowable expenses	<u>\$ 5,241</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 2019, calculated in accordance with the County contract, is as follows:

Plumas County contract loss before adjustment for non-allowable expense	\$ (278,406)
Non-allowable expenses	<u>5,241</u>
Adjusted Plumas County contract loss	<u>\$ (273,165)</u>
Contract revenue – net of solid waste disposal (tipping fees)	<u>\$ 2,131,542</u>
Rate of Return (Loss)	<u>(12.82%)</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	\$ 1,080,867	\$ -	\$ 1,080,867
Diesel fuel	154,879	-	154,879
Vehicle replacement	23,833	-	23,833
Vehicle maintenance	76,532	-	76,532
Disposal	346,090	-	346,090
All other costs	<u>1,068,596</u>	<u>5,241</u>	<u>1,073,837</u>
Total expenditures	<u>\$ 2,750,797</u>	<u>\$ 5,241</u>	<u>\$ 2,756,038</u>

