

Intermountain Disposal, Inc.
Franchise Agreement Annual Reporting

December 31, 2019

Intermountain Disposal

Table of Contents

December 31, 2019

	Page
Costs Associated with Expense Items That Have Contractual Limits	1
Operating Ratio Calculation	2
Variance Analysis	3
Client Personnel	
Organization Chart	5
Job Classifications	6
List of Non Allowable Expenses	7

Intermountain Disposal

Costs Associated with Expense Items That Have Contractual Limits
December 31, 2019

Officer compensation

Name	Position	Salary	Benefits	Total
Ricky R. Ross	CEO	\$ 88,374	\$ 20,196	\$ 108,570
Candice M. Ross	CFO	88,374	20,196	<u>108,570</u>
Total				<u>\$ 217,140</u>

Officer life insurance costs

None.

Director costs

None.

Promotional, business development and business related travel

Feather Publishing Company	\$ 2,163
Total	<u>\$ 2,163</u>

Payments to repair damage to property of County, Contractor, or others

None.

Fines and penalties

Plumas County Weights and Measurements	\$ 55
United States Treasury	3
Total	<u>\$ 58</u>

Charitable donations

Graeagle Men's Golf Association	\$ 100
Feather River Little League	400
Plumas Pines Men's and Women's Golf Club	100
Total	<u>\$ 600</u>

Political donations

None.

Vehicle lease in excess of acquisition costs

None.

State and federal income taxes

Federal income taxes	\$ 32,339
California state income taxes	5,692
Total	<u>\$ 38,031</u>

Attorneys' fees incurred in a hearing where Contractor and County are adversarial parties

None.

Attorneys' fees incurred in any court proceeding in which Contractor's own negligence violation of law or regulation, or other wrongdoing, are at issue

None.

Payments to related parties for products or services in excess of fair market value

None.

Intermountain Disposal

Operating Ratio Calculation
December 31, 2019

<i>Total Revenue</i>	\$ 1,792,248			
Operating Expenses		<i>Pass-Through</i>	<i>Non Allowable</i>	
Payroll - route	263,773			
Payroll - office	93,813		12,214	
Payroll - company executive officer	88,374		12,214	
Payroll - transfer station	61,674			
Payroll - taxes	44,404			
Retirement plan contribution	83,949		40,391	
Workers' compensation insurance	30,126			
Employee benefits	18,495			
Diesel fuel	117,852			
Depreciation - vehicles	112,832			
Equipment rent	27,691			
Vehicle maintenance	62,164			
Tires	23,838			
Dump fees	226,813	226,813		
Franchise fees	115,490	115,490		
Hazardous waste	11,683			
Transfer station rental	9,600		9,600	
Building rent - related party	71,288			
Business taxes, licenses and fees	52,365		58	
Accounting	51,446			
Insurance	45,762			
Depreciation - equipment	26,171			
Operating and office supplies	24,867			
General maintenance	21,118			
Telephone and internet	15,713			
Utilities	12,919			
Equipment rental - related party	8,853			
Other rent	8,413			
Fuel, oil and lubricants	7,273			
Equipment maintenance	5,451			
Bad debts	2,524			
Depreciation - leasehold improvements	2,378			
Advertising and promotion	2,163			
Association dues	1,424			
Entertainment	1,218			
Charitable contributions	600			
Depreciation - office	497			
Legal	106			
				Profit Base
<i>Total Operating Expenses</i>	<u>1,755,120</u>		351,903	64,877 1,338,340
Operating Income	<u>\$ 37,128</u>			
Operating Ratio	<u><u>97.23%</u></u>			

Intermountain Disposal
Variance Analysis

For the Year Ended December 31, 2019

Explanation of significant changes in revenue and expense line items, where significant is defined as those changes in excess of \$15,000 AND 10%

	2019 Amount	2018 Amount	\$ Change	% Change	Explanation
Revenue					
Commercial	\$ 596,828	\$ 602,047	-	0%	
Residential	401,635	379,852	21,783	0%	
Roll-off containers	193,698	213,936	(20,238)	0%	
Transfer station	231,640	230,175	-	0%	
Tipping fees	145,082	127,272	17,810	14%	
Tipping fees - related party	140,068	115,613	24,455	21%	Increase is due to a combination of an increase in rates in August 2019 and an increase in quantity of waste received at the Delleker transfer station.
Special service	72,329	46,875	25,454	54%	Increase is partially due to an increase in the commingled rate in addition to additional sources of income for metal hauling and woodwaste.
Recycling	10,968	26,563	(15,595)	-59%	Less income due to lower cardboard prices.
<i>Total Revenue</i>	<u>1,792,248</u>	<u>1,742,333</u>			
Operating Expenses					
<i>Labor</i>					
Payroll - route	263,773	208,216	55,557	27%	Wages were adjusted according to performance/industry wage scales.
Payroll - office	93,813	91,265	-	0%	
Payroll - company executive officer	88,374	88,374	-	0%	
Payroll - transfer station	61,674	58,792	-	0%	
Payroll - taxes	44,404	42,006	-	0%	
Retirement plan contribution	83,949	59,402	24,547	41%	Discretionary increase.
Workers' compensation insurance	30,126	26,293	-	15%	
Employee benefits	18,495	16,556	-	12%	
<i>Total Labor</i>	<u>684,608</u>	<u>590,904</u>			
<i>Diesel Fuel</i>					
Diesel fuel	117,852	119,169	-	0%	
<i>Total Diesel Fuel</i>	<u>117,852</u>	<u>119,169</u>			
<i>Vehicle Replacement</i>					
Depreciation - vehicles	112,832	148,461	(35,629)	-24%	2 Peterbilt trucks became fully depreciated in 2018 and did not receive any depreciation expense in 2019.
Equipment rent	27,691	26,555	-	0%	
<i>Total Vehicle Replacement</i>	<u>140,523</u>	<u>175,016</u>			
<i>Vehicle Maintenance</i>					
Vehicle maintenance	62,164	103,684	(41,520)	-40%	More maintenance was performed in 2018 to bring older vehicles up-to-date.
Tires	23,838	47,601	(23,763)	-50%	More tire purchases in 2018 in addition to nonrecurring purchase of foam tires for rear loaders.
<i>Total Vehicle Maintenance</i>	<u>86,002</u>	<u>151,285</u>			
<i>Disposal</i>					
Dump fees	226,813	211,023	15,790	0%	
Franchise fees	115,490	81,856	33,634	41%	The franchise fee rate increased to 8.5% in 2019 from 6% in 2018.
Hazardous waste	11,683	13,709	-	-15%	
Transfer station rental	9,600	9,600	-	0%	
<i>Total Disposal</i>	<u>363,586</u>	<u>316,188</u>			

Intermountain Disposal

Variance Analysis

For the Year Ended December 31, 2019

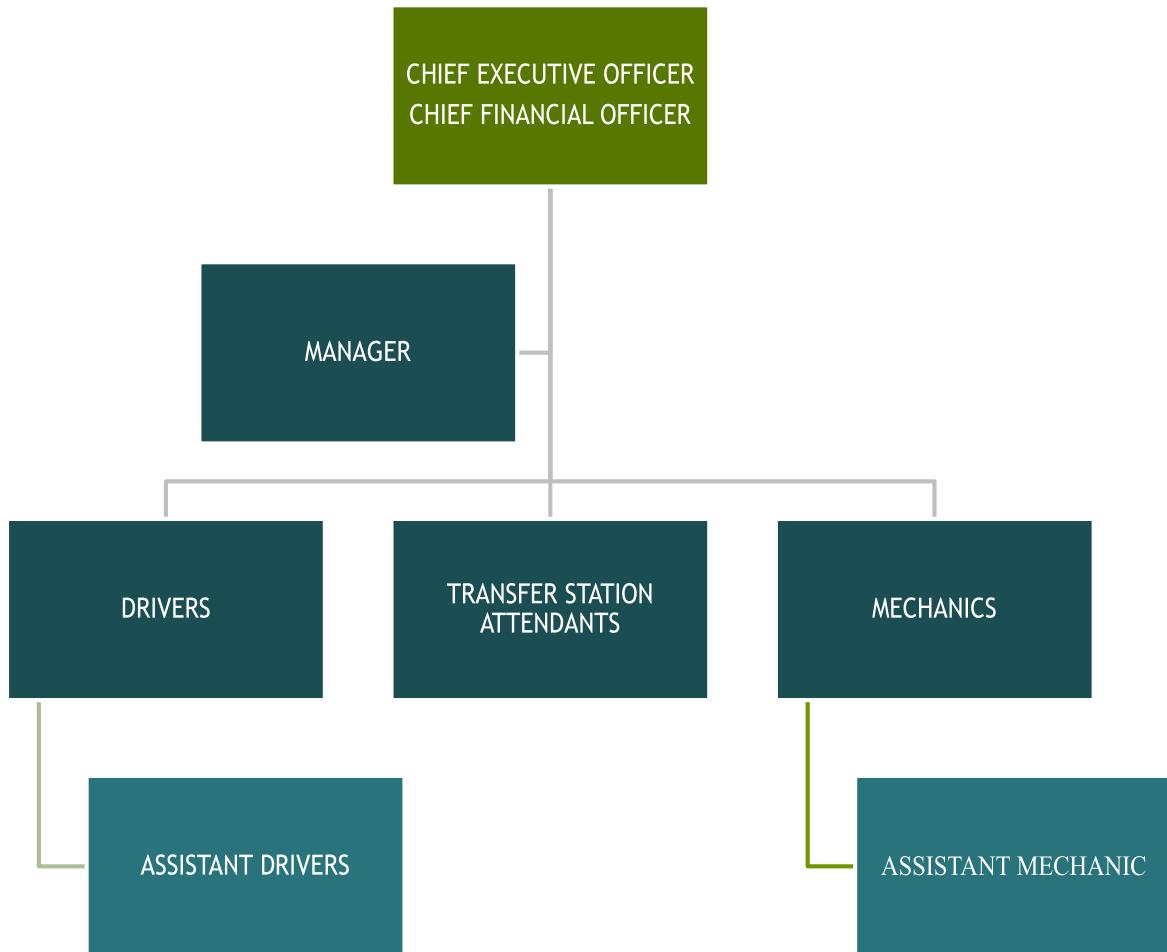
Explanation of significant changes in revenue and expense line items, where significant is defined as those changes in excess of \$15,000 AND 10%

	2019 Amount	2018 Amount	\$ Change	% Change	Explanation
All Other					
Building rent - related party	71,288	69,831	-	0%	
Insurance	45,762	50,024	-	0%	
Accounting	51,446	44,698	-	15%	
Business taxes, licenses and fees	52,365	37,913	-	38%	
Operating and office supplies	24,867	31,742	-	-22%	
Telephone and internet	15,713	22,685	-	-31%	
Depreciation - equipment	26,171	22,487	-	16%	
Utilities	12,919	11,352	-	14%	
Equipment rental - related party	12,423	8,580	-	45%	
General maintenance	21,118	8,463	-	150%	
Equipment maintenance	5,451	6,320	-	-14%	
Fuel, oil and lubricants	7,273	5,074	-	43%	
Other rent	4,843	4,961	-	0%	
Depreciation - leasehold improvements	2,378	2,378	-	0%	
Entertainment	1,218	1,545	-	-21%	
Association dues	1,424	1,443	-	0%	
Advertising and promotion	2,163	1,222	-	77%	
Bad debts	2,524	1,054	-	139%	
Charitable contributions	600	600	-	0%	
Depreciation - office	497	497	-	0%	
Legal	106	214	-	-50%	
Total All Other	362,549	333,083			
Total Operating Expenses	1,755,120	1,685,645			
Operating Income	37,128	56,688			
Other Income (Expense)					
Interest income	1,007	3,001	-	-66%	
Interest expense	(128)	(4,425)	-	-97%	
Refunds	2,443	1,448	-	69%	
Miscellaneous	(1,226)	1,279	-	-196%	
Loss on asset dispositions	(26,868)	-	(26,868)	100%	Represents cost of asset dispositions less accumulated depreciation expense.
Bad debts recovered	-	155	-	-100%	There were no asset dispositions in 2018.
Total Other Income (Expense)	(24,772)	1,458			
Income Before Income Taxes	12,356	58,146			
Income Tax Expense	(1,651)	(42,529)			
Net Income	\$ 10,705	\$ 15,617			

Intermountain Disposal

Organization Chart

December 31, 2019



Intermountain Disposal

Job Classifications

December 31, 2019

		Department		
	FTE	Supervisors	Drivers and Assistants	Transfer Station Attendants
CEO	1.00	1.00		
CFO	1.00	1.00		
Manager	1.00	1.00		
Employee	1.00		1.00	
Employee	1.00		1.00	
Employee	0.70		0.70	
Employee	1.00		0.50	0.50
Employee	1.00		1.00	
Employee	0.70			0.70
Employee	1.00		1.00	
Employee	1.00		1.00	
Employee	1.00		1.00	
Employee	1.00		0.50	0.50
Employee	1.00		0.50	0.50
Employee	1.00		1.00	
Total FTE per Department		3.00	9.20	1.50
				0.70

Notes:

The CEO performs duties in the following areas: communicating on behalf of the Company, with shareholders, government entities, and the public. Leading the development of the Company's short and long-term strategies, creating and implementing the Company's vision and mission, working closely with the Board of Directors, serving as managing director of corporate operations and is the main link between the different divisions of the Company.

The CFO performs duties in the following areas: tracking cash flow, financial planning, as well as analyzing the Company's financial strengths, weaknesses and proposing corrective actions. The CFO is responsible for managing the finance and accounting division and for ensuring that the Company's financial reports are accurate and completed in a timely manner. Works closely with the CEO, has significant input in the Company's investments, capital structure and how the Company manages its income and expenses.

The general manager performs duties in the following areas: Oversees most or all of the Company's day-to-day operations of the business. Effective planning, delegating, coordinating, staffing, organizing policies being met and decision making to attain desirable profit making results for the Company.

Intermountain Disposal

List of Non Allowable Expenses
 For the Year Ended December 31, 2019

	<u>Total</u>	<u>Allowable</u>	<u>Non Allowable</u>
Officer salary and benefits*	\$ 217,139	\$ 152,320	\$ 64,819
Officer life insurance costs	-	-	-
Director costs	-	-	-
Promotional, business development and business related travel	2,163	2,500	-
Payments to repair damage to property of County, Contractor, or others	-	-	-
Fines and penalties	58	-	58
Charitable donations	600	2,500	-
Political donations	-	-	-
Vehicle lease in excess of acquisition costs	-	-	-
State and federal income taxes	38,031	-	38,031
Attorneys' fees and other fees incurred by Contractor in a court or other hearing where Contractor and County are adversarial parties	-	-	-
Attorneys' fees and other expenses incurred in any court proceeding in which Contractor's own negligence violation of law or regulation, or other wrongdoing, are at issue.	-	-	-
Payments to related parties for products or services in excess of fair market value	-	-	-
 Total Non Allowable Expenses			<u>\$ 102,908</u>

* All benefits included except social security, worker's compensation and group health insurance premiums offered to all employees.