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Plumas County, Calif

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

**FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

**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, 2020 and 2019, 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, 2020 and 2019, 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.

## **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 audits were 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.

*Propp Christensen Caniglia LLP*

March 12, 2021  
Roseville, California

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

**BALANCE SHEETS**  
 December 31, 2020 and 2019

**ASSETS**

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 6,667	\$ 7,530
Accounts receivable, net of allowance for doubtful accounts of \$396 and \$2,091, respectively	33,093	409,885
Other receivables	44,474	68,931
Inventory	43,006	28,097
Prepaid expenses and other assets	8,759	7,744
	<u>135,999</u>	<u>522,187</u>
Total current assets	345,925	296,218
Property and equipment, net	-	20,544
Construction in progress	5,990,114	5,716,592
Intercompany receivable from USA Waste of California, Inc.	-	20,593
Deferred income tax asset	<u>6,472,038</u>	<u>\$ 6,576,134</u>
Total assets	<u>\$ 6,472,038</u>	<u>\$ 6,576,134</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable	\$ 37,378	\$ 46,310
Accrued liabilities	100,613	121,133
Deferred income	1,091	393,634
	<u>139,082</u>	<u>561,077</u>
Total current liabilities	1,641	-
Deferred income tax liability	<u>140,723</u>	<u>561,077</u>
Total liabilities	<u>77,044</u>	<u>77,044</u>
Stockholders' equity:		
Common stock	6,254,271	5,938,013
Retained earnings	6,331,315	6,015,057
Total stockholders' equity	<u>\$ 6,472,038</u>	<u>\$ 6,576,134</u>
Total liabilities and stockholders' equity	<u>\$ 6,472,038</u>	<u>\$ 6,576,134</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, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Revenue:</b>		
Residential	\$ 1,302,043	\$ 1,133,183
Commercial	1,883,627	1,734,434
Transfer site	575,833	471,432
Recycling materials and other revenue	<u>134,852</u>	<u>204,805</u>
<b>Total Revenue</b>	<b><u>3,896,355</u></b>	<b><u>3,543,854</u></b>
<b>Costs and expenses:</b>		
Payroll	1,060,250	1,014,076
Employee benefits	399,649	343,814
Accounting	12,029	18,900
Administrative fees	42,016	38,850
Advertising and promotion	2,855	5,515
Bad debt	7,934	15,454
Bank charges	22,379	17,005
Contract labor	33,676	49,245
Contributions	5,234	5,023
Corporate overhead	255,326	235,715
Depreciation	47,371	47,840
Equipment maintenance	94,778	94,333
Equipment rental	13,887	11,094
Gas and oil	176,921	206,903
Insurance	39,861	20,794
Miscellaneous	265	571
Office supplies	11,859	10,960
Operating supplies	4,460	5,370
Property taxes	12,412	12,532
Recycling purchases	107,390	125,486
Solid waste disposal	432,666	444,924
Subcontractor costs	567,712	540,724
Tax and licenses	22,047	27,656
Tires	25,183	33,299
Travel	6,129	5,985
Uniforms	11,753	11,972
Utilities and telephone	<u>41,166</u>	<u>57,710</u>
<b>Total costs and expenses</b>	<b><u>3,457,208</u></b>	<b><u>3,401,750</u></b>
Income before provision for income taxes	439,147	142,104
Provision for income taxes expense	<u>122,889</u>	<u>39,580</u>
<b>Net income</b>	<b><u>316,258</u></b>	<b><u>102,524</u></b>
Retained earnings, beginning of year	<u>5,938,013</u>	<u>5,835,489</u>
<b>Retained earnings, end of year</b>	<b><u>\$ 6,254,271</u></b>	<b><u>\$ 5,938,013</u></b>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 316,258	\$ 102,524
Adjustments to reconcile net income to net cash net cash provided by operating activities:		
Depreciation and amortization	47,371	47,840
Bad debt expense	6,657	14,404
Deferred tax benefit	22,234	14,636
Changes in operating assets and liabilities:		
Accounts receivable	370,135	(82,294)
Other receivables	24,457	(63,509)
Inventory	(14,909)	2,474
Prepaid expenses and other assets	(1,015)	(3,421)
Accounts payable	(8,932)	(20,982)
Accrued liabilities	(20,520)	18,875
Deferred income	<u>(392,543)</u>	<u>51,013</u>
Net cash provided by operating activities	<u>349,193</u>	<u>81,560</u>
<b>Cash flows from investing activities:</b>		
Purchases of equipment	(76,534)	(18,594)
Payments capitalized to construction in progress	<u>-</u>	<u>(1,739)</u>
Net cash used in investing activities	<u>(76,534)</u>	<u>(20,333)</u>
<b>Cash flows from financing activities:</b>		
Net change in intercompany payable to USA Waste of California, Inc.	<u>(273,522)</u>	<u>(54,297)</u>
Change in cash and cash equivalents	(863)	6,930
Cash and cash equivalents, beginning of year	<u>7,530</u>	<u>600</u>
Cash and cash equivalents, end of year	<u>\$ 6,667</u>	<u>\$ 7,530</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

**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 December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fuel, oil and lubricants	\$ 3,974	\$ 5,397
Parts & tires	31,737	17,132
Recyclable materials	<u>7,295</u>	<u>5,568</u>
 Total	 <u>\$ 43,006</u>	 <u>\$ 28,097</u>

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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 for all ongoing customer contracts in accordance with 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). This guidance requires the recognition of certain consideration payable to customers as a reduction in operating revenues.

For contracts with an effective term greater than one year, the Company has applied the 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 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.

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 amount.

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

NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 billed commercial customers one month in advance and residential customers three months in advance. These amounts, along with cash payments received in advance of performance obligations, 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, 2020 and 2019 is \$2,855 and \$5,515, 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020 and 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fair Value Measurements (Continued)*

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 12, 2021, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 209,800	\$ 209,800
Buildings and improvements	308,762	308,762
Vehicles, machinery and equipment	<u>2,814,838</u>	<u>3,028,522</u>
Subtotal	3,333,400	3,547,084
Less accumulated depreciation	<u>(2,987,475)</u>	<u>(3,250,866)</u>
Property and equipment, net	<u>\$ 345,925</u>	<u>\$ 296,218</u>
Construction in progress	<u>\$ -</u>	<u>\$ 20,544</u>

Depreciation expense for the years ended December 31, 2020 and 2019 were \$47,371 and \$47,840, 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 \$357,105 and \$296,727 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Parent paid \$3,528,770 and \$3,359,044, 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 \$4,135,176 and \$3,666,294 for the years ended December 31, 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020 and 2019

**NOTE 4: RELATED PARTY TRANSACTIONS (CONTINUED)**

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 \$5,990,114 and \$5,716,592 as of December 31, 2020 and 2019, respectively.

Direct transactions with affiliated operating or administrative divisions of the parent corporation for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
<b>Revenue:</b>		
Oakleaf Global Holdings <i>Commercial</i>	\$ 42,830	\$ 43,556
North Valley Disposal Services <i>Recycling materials and other revenue</i>	\$ 31,984	\$ 69,887
<b>Expenses:</b>		
Refuse, Inc. <i>Solid waste disposal</i>	\$ 337,651	\$ 357,302
USA Waste of California, Inc. <i>Administrative fees</i>	\$ 42,016	\$ 38,850

**NOTE 5: INCOME TAXES**

The provision for income taxes consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<b>Federal income tax expense (benefit):</b>		
Current	\$ 68,858	\$ 17,065
Deferred	<u>15,210</u>	<u>10,012</u>
Net federal income tax expense (benefit)	<u>84,068</u>	<u>27,077</u>
<b>State income tax expense (benefit):</b>		
Current	31,797	7,880
Deferred	<u>7,024</u>	<u>4,623</u>
Net state income tax expense (benefit)	<u>38,821</u>	<u>12,503</u>
<b>Provision for income tax expense (benefit)</b>	<b>\$ 122,889</b>	<b>\$ 39,580</b>

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**  
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**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2020 and 2019

**NOTE 5: INCOME TAXES (CONTINUED)**

The net deferred tax assets and liabilities as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	\$ 111	\$ 585
Compensated absences	10,734	16,669
Accrued bonus	398	2,789
Prepaid taxes and licenses	(2,451)	(2,167)
Property and equipment	<u>(10,433)</u>	<u>2,717</u>
Net deferred tax asset (liability)	<u>\$ (1,641)</u>	<u>\$ 20,593</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 \$32,491 and \$32,916 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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	July 1, 2025

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  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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 years ended December 31, 2020 and 2019, the Company's non-cash investing and financing activities included \$20,544 and \$22,547, respectively, of net transfers and credits for property and equipment which include amounts through its intercompany account.

The Company paid no cash for interest or income taxes for the years ended December 31, 2020 and 2019. 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, 2020

	Plumas County Contract	Quincy Community Services District	Chester Public Utility District	Total
<b>Revenue:</b>				
Residential	\$ 901,917	\$ 153,776	\$ 246,350	\$ 1,302,043
Commercial	1,153,774	447,767	282,086	1,883,627
Transfer site	575,833	-	-	575,833
Recycling and other	<u>133,113</u>	<u>389</u>	<u>1,350</u>	<u>134,852</u>
<b>Total revenue</b>	<b><u>2,764,637</u></b>	<b><u>601,932</u></b>	<b><u>529,786</u></b>	<b><u>3,896,355</u></b>
<b>Costs and expenses:</b>				
Payroll	816,537	129,624	114,089	1,060,250
Employee benefits	308,154	48,664	42,831	399,649
Accounting	13,539	(803)	(707)	12,029
Administrative fees	32,678	5,101	4,237	42,016
Advertising and promotion	2,148	376	331	2,855
Bad debt	6,389	822	723	7,934
Bank charges	18,419	2,106	1,854	22,379
Contract labor	24,334	4,969	4,373	33,676
Contributions	2,965	2,148	121	5,234
Corporate Overhead	185,144	37,211	32,971	255,326
Depreciation	35,043	6,557	5,771	47,371
Equipment maintenance	73,230	11,461	10,087	94,778
Equipment rental	10,185	1,969	1,733	13,887
Gas and oil	133,144	23,284	20,493	176,921
Insurance	29,873	5,312	4,676	39,861
Miscellaneous	188	41	36	265
Office supplies	9,543	1,231	1,085	11,859
Operating supplies	3,255	641	564	4,460
Property taxes	8,804	1,919	1,689	12,412
Recycling purchases	107,390	-	-	107,390
Solid waste disposal	301,837	70,568	60,261	432,666
Subcontractor costs	560,030	4,086	3,596	567,712
Tax and licenses	17,087	2,638	2,322	22,047
Tires	17,745	3,956	3,482	25,183
Travel	4,482	876	771	6,129
Uniforms	9,365	1,270	1,118	11,753
Utilities and telephone	<u>31,457</u>	<u>5,164</u>	<u>4,545</u>	<u>41,166</u>
<b>Total costs and expenses</b>	<b><u>2,762,965</u></b>	<b><u>371,191</u></b>	<b><u>323,052</u></b>	<b><u>3,457,208</u></b>
<b>Income (loss) before provision for income taxes</b>	<b><u>\$ 1,672</u></b>	<b><u>\$ 230,741</u></b>	<b><u>\$ 206,734</u></b>	<b><u>\$ 439,147</u></b>

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

**NOTES TO SUPPLEMENTARY INFORMATION**  
 December 31, 2020

**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	\$ 6,476
Charitable donations	<u>465</u>
Total non-allowable expenses	<u><u>\$ 6,941</u></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 2020, calculated in accordance with the County contract, is as follows:

Plumas County contract income before adjustment for non-allowable expense	\$ 1,672
Non-allowable expenses	<u>6,941</u>
Adjusted Plumas County contract loss	<u><u>\$ (5,269)</u></u>
Contract revenue – net of solid waste disposal (tipping fees)	<u><u>\$ 2,462,800</u></u>
Rate of Return (Loss)	<u><u>(0.002%)</u></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	\$ 1,149,025	\$ -	\$ 1,149,025
Diesel fuel	133,144	-	133,144
Vehicle replacement	17,745	-	17,745
Vehicle maintenance	73,230	-	73,230
Disposal	301,837	-	301,837
All other costs	<u>1,081,043</u>	<u>6,941</u>	<u>1,087,984</u>
Total expenditures	<u><u>\$ 2,756,024</u></u>	<u><u>\$ 6,941</u></u>	<u><u>\$ 2,762,965</u></u>