

RECEIVED

MAR 18 2021

Department of Public Works
Plumas County, Calif

Intermountain Disposal

(A division of Intermountain Disposal, Inc.)

Financial Statements

December 31, 2020 and 2019

Intermountain Disposal**Table of Contents****December 31, 2020 and 2019**

	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, 2020 and 2019, 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, 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.

Cupit, Milligan, Ogden & Williams

Reno, Nevada
March 15, 2021

Intermountain Disposal**Balance Sheets**

December 31, 2020 and 2019

Assets	2020	2019
<i>Current Assets</i>		
Cash and cash equivalents	\$ 941,790	\$ 807,992
Accounts receivable, net	147,797	124,869
Prepaid expenses	43,278	39,747
Prepaid income taxes	5,011	9,544
Due from related parties	27,010	20,617
<i>Total Current Assets</i>	<u>1,164,886</u>	<u>1,002,769</u>
<i>Non-Current Assets</i>		
Property and equipment, net	628,502	337,593
Feasibility study	156,535	156,535
<i>Total Non-Current Assets</i>	<u>785,037</u>	<u>494,128</u>
Total Assets	<u><u>\$ 1,949,923</u></u>	<u><u>\$ 1,496,897</u></u>
Liabilities and Stockholders' Equity		
<i>Current Liabilities</i>		
Accounts payable	\$ 78,425	\$ 59,252
Income taxes payable	30,433	9,087
Accrued liabilities	96,573	89,558
Customer deposits	103,152	88,564
<i>Total Current Liabilities</i>	<u>308,583</u>	<u>246,461</u>
<i>Long-term Liabilities</i>		
Deferred income taxes	<u>140,281</u>	<u>83,284</u>
<i>Total Long-term Liabilities</i>	<u>140,281</u>	<u>83,284</u>
<i>Total Liabilities</i>	<u>448,864</u>	<u>329,745</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	1,453,449	1,119,542
<i>Total Stockholders' Equity</i>	<u>1,501,059</u>	<u>1,167,152</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,949,923</u></u>	<u><u>\$ 1,496,897</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, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
Revenue				
Commercial	\$ 629,362	32.45	\$ 596,828	33.30
Residential	426,142	21.97	401,635	22.41
Transfer station	316,210	16.30	231,640	12.92
Roll-off containers	176,375	9.09	193,698	10.81
Tipping fees	154,395	7.96	145,082	8.09
Tipping fees - related party	144,761	7.46	140,068	7.82
Special service	57,923	3.00	72,329	4.04
Recycling	34,335	1.77	10,968	0.61
<i>Total Revenue</i>	1,939,503	100.00	1,792,248	100.00
Operating Expenses				
<i>Labor</i>				
Payroll - route	251,783	12.98	263,773	14.72
Payroll - office	88,374	4.56	93,813	5.23
Payroll - company executive officer	88,374	4.56	88,374	4.93
Payroll - transfer station	90,742	4.68	61,674	3.44
Payroll - taxes	45,021	2.32	44,404	2.48
Retirement plan contribution	87,702	4.52	83,949	4.68
Workers' compensation insurance	32,559	1.68	30,126	1.68
Employee benefits	24,387	1.26	18,495	1.03
Casual labor	1,289	0.07	-	-
<i>Total Labor</i>	710,231	36.63	684,608	38.19
<i>Diesel Fuel</i>				
Diesel fuel	99,091	5.10	117,852	6.57
<i>Total Diesel Fuel</i>	99,091	5.10	117,852	6.57
<i>Vehicle Replacement</i>				
Depreciation - vehicles	131,846	6.80	112,832	6.30
Equipment rent	30,320	1.56	27,691	1.55
<i>Total Vehicle Replacement</i>	162,166	8.36	140,523	7.85
<i>Vehicle Maintenance</i>				
Vehicle maintenance	39,957	2.06	62,164	3.47
Tires	27,407	1.41	23,838	1.33
<i>Total Vehicle Maintenance</i>	67,364	3.47	86,002	4.80
<i>Disposal</i>				
Dump fees	236,845	12.21	226,813	12.66
Franchise fees	123,156	6.35	115,490	6.44
Hazardous waste	10,986	0.57	11,683	0.65
Transfer station rental	9,600	0.49	9,600	0.54
Commingled material fees	4,768	0.25	-	-
<i>Total Disposal</i>	385,355	19.87	363,586	20.29

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, 2020 and 2019

	2020	2019	2020	2019
	Amount	Percent	Amount	Percent
All Other				
Building rent - related party	70,560	3.64	71,288	3.98
Accounting	58,684	3.03	51,446	2.87
Insurance	54,263	2.80	45,762	2.55
Business taxes, licenses and fees	38,019	1.96	52,365	2.92
Operating and office supplies	35,408	1.83	24,867	1.39
Depreciation - equipment	19,958	1.03	26,171	1.46
Telephone and internet	13,958	0.72	15,713	0.88
Utilities	11,794	0.61	12,919	0.72
Equipment maintenance	10,526	0.54	5,451	0.30
Equipment rental - related party	9,359	0.48	8,853	0.49
Consulting fees	7,598	0.39	-	-
Other rent	6,382	0.33	8,413	0.47
Fuel, oil and lubricants	4,832	0.25	7,273	0.41
Depreciation - leasehold improvements	2,784	0.14	2,378	0.13
General maintenance	2,023	0.10	21,118	1.18
Association dues	1,527	0.08	1,424	0.08
Bad debts	1,326	0.07	2,524	0.14
Entertainment	1,131	0.06	1,218	0.07
Advertising and promotion	637	0.03	2,163	0.12
Depreciation - office	497	0.03	497	0.03
Legal	337	0.02	106	0.01
Charitable contributions	-	-	600	0.03
Total All Other	351,603	18.14	362,549	20.23
Total Operating Expenses	1,775,810	91.57	1,755,120	97.93
Operating Income	163,693	8.43	37,128	2.07
Other Income (Expense)				
Interest income	2,316	0.12	1,007	0.06
Refunds	5,354	0.28	2,443	0.14
Interest expense	-	-	(128)	(0.01)
Miscellaneous	863	0.04	(1,226)	(0.07)
Gain (loss) on asset dispositions	146,689	7.56	(26,868)	(1.50)
Gain on debt forgiveness	120,469	6.21	-	-
Total Other Income (Expense)	275,691	14.21	(24,772)	(1.38)
Income Before Income Taxes	439,384	22.64	12,356	0.69
Income Tax Expense	(105,477)	(5.44)	(1,651)	(0.09)
Net Income	333,907	17.20	10,705	0.60
Retained Earnings, Beginning of Period	1,119,542		1,108,837	
Retained Earnings, End of Period	\$ 1,453,449		\$ 1,119,542	

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

Intermountain Disposal
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net Income	\$ 333,907	\$ 10,705
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation and amortization	155,085	141,879
Deferred income taxes	56,997	(36,380)
Bad debts	1,326	2,524
(Gain) loss on asset dispositions	(146,689)	26,868
Gain on debt forgiveness	(120,469)	-
Changes in operating assets and liabilities		
Accounts receivable, net	(24,254)	28,868
Prepaid expenses	(3,531)	(6,729)
Prepaid income taxes	4,533	13,711
Accounts payable	19,173	(5,684)
Income taxes payable	21,346	9,084
Accrued liabilities	7,015	16,083
Customer deposits	14,588	7,339
Net Cash Provided by Operating Activities	<u>319,027</u>	<u>208,268</u>
Cash Flows from Investing Activities		
Capital expenditures	(445,994)	(18,308)
Proceeds from asset dispositions	<u>146,689</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(299,305)</u>	<u>(18,308)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program promissory note	120,469	-
Principal payments on note payable	-	(1,631)
Due to related party	<u>(6,393)</u>	<u>(16,140)</u>
Net Cash Provided (Used) by Financing Activities	<u>114,076</u>	<u>(17,771)</u>
Net Increase in Cash	<u>133,798</u>	<u>172,189</u>
Cash and cash equivalents, Beginning of Period	<u>807,992</u>	<u>635,803</u>
Cash and cash equivalents, End of Period	<u><u>\$ 941,790</u></u>	<u><u>\$ 807,992</u></u>
Supplemental Disclosure of Cash Flow Information		
<i>Cash paid during the period for</i>		
Interest	<u>\$ -</u>	<u>\$ 28</u>
Income taxes	<u>\$ 22,601</u>	<u>\$ 15,239</u>

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

Intermountain Disposal
Notes to Financial Statements
December 31, 2020 and 2019

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 City of 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 15, 2021, 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 of America. 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 of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a purchased maturity of three months or less to be cash equivalents. In addition to its bank accounts, the Company maintains its excess cash in money market investment accounts.

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, 2020 and 2019, respectively.

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 three 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, 2020 and 2019

Revenue Recognition

Revenues are primarily generated from fees charged for collection, transfer, disposal, and recycling, and from sales of commodities by the Company's recycling operations. Revenues from collection operations are influenced by factors such as collection frequency, type of collection equipment furnished and type and volume or weight of the waste collected. Fees charged at transfer stations are generally based on the weight or volume of waste deposited. Recycling revenues generally consist of the sale of recycling commodities to third parties.

The Company recognizes revenue as services are performed or products are delivered. For example, revenue is recognized as waste is collected, tons are received at transfer stations, or recycling commodities are delivered as product. The Company bills for certain services prior to performance. Such services include, among others certain commercial contracts. These advance billings are recognized as revenue in the period service is provided.

Payment terms are dependent on the nature of the service. For commercial services, fees are due within 30 days of the month in which the services were provided. For residential customers, services are billed quarterly, generally on the first day of the quarter. Payment is due within 30 days of the invoice date. Fees charged at the transfer stations are due and collected at the time of the service.

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-four percent to Intermountain Disposal, eighteen percent to Sierra Disposal and eighteen percent to City of Portola Disposal based on their relative total revenues. The corporate executive officer's salary allocated to Intermountain Disposal was \$88,374 for each of the years ended December 31, 2020 and 2019. The corporate financial officer's salary allocated to Intermountain Disposal was \$88,374 for each of the years ended December 31, 2020 and 2019.

New Accounting Pronouncements

On January 1, 2019, the Company adopted ASC Topic, Revenue from Contracts with Customers. The new guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance outlines a five-step process for revenue recognition that focuses on transfer of control as opposed to transfer of risk and rewards. Major provisions include defining performance obligations, recognition of variable consideration and whether revenue should be recognized at a point in time or over time. The adoption of the new guidance did not have a material impact on revenue recognition and therefore, the Company did not record a cumulative effect adjustment to retained earnings.

Intermountain Disposal

Notes to Financial Statements
December 31, 2020 and 2019

2. Related Party TransactionsTipping Fees

Related party revenue includes tipping fees charged to other divisions. For the years ended December 31, 2020 and 2019, tipping fees charged to Portola Disposal were \$128,672 and \$125,263, respectively. For the years ended December 31, 2020 and 2019, tipping fees charged to Sierra Disposal were \$16,089 and \$14,805, 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, 2020 and 2019, equipment rental expense charged to the Company by Sierra Disposal was \$9,359 and \$8,853, respectively.

Due From (To) Related Parties

The following amounts were due from or to Sierra Disposal and City of Portola Disposal at December 31:

	<u>2020</u>	<u>2019</u>
Due from Sierra Disposal	\$ 11,812	\$ 5,625
Due from City of Portola Disposal	<u>15,198</u>	<u>14,992</u>
Due from related parties	<u>\$ 27,010</u>	<u>\$ 20,617</u>

Such amounts were recorded as due from related parties. For the years ended December 31, 2020 and 2019, 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 \$70,560 and \$71,288 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, no amounts of rent were due to the stockholders.

3. ConcentrationsConcentration 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, 2020, the Company had approximately \$39,500 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, 2020 and 2019

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Vehicles	\$ 1,897,378	\$ 1,627,565
Disposal equipment	641,096	629,839
Office furniture	33,471	33,471
Leasehold improvements	83,896	78,860
Software	4,646	4,646
 Total property and equipment	 2,660,487	 2,374,381
 Less accumulated depreciation	 2,031,985	 2,036,788
 Property and equipment, net	 \$ 628,502	 \$ 337,593

5. 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:

2021	\$ 32,737
2022	30,018
2023	18,107
2024	9,600
2025	9,600
Thereafter	12,000
 	 \$ 112,062

Equipment rent expense for the years ended December 31, 2020 and 2019 was \$30,320 and \$27,691, respectively. Rent expense related to use of County facilities for each of the years ended December 31, 2020 and 2019 was \$9,600.

6. Tipping Fees

Tipping fees earned from Sierra County Public Works for the years ended December 31, 2020 and 2019 were \$154,395 and \$145,082, respectively.

7. Paycheck Protection Program Debt Forgiveness

During the year ended December 31, 2020, Intermountain Disposal Inc. obtained a promissory note under the Small Business Administration (SBA) Paycheck Protection Program in the amount of \$176,448 with \$120,469 allocated to the Company based on actual identified payroll costs. On November 10, 2020, the Company received notification from the SBA that the full amount of the Paycheck Protection Program note and accrued interest had been forgiven. Debt forgiveness is presented in other income in the accompanying Statements of Income and Retained Earnings

Intermountain Disposal

Notes to Financial Statements
December 31, 2020 and 2019

8. 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, 2020 was \$145,876, and the portion allocated to the Company was \$87,702. The total contribution for the year ended December 31, 2019 was \$144,057, and the portion allocated to the Company was \$83,949.

9. Income Taxes**Deferred Income Taxes**

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

	<u>2020</u>	<u>2019</u>
Deferred tax liabilities		
Net cash basis	\$ (2,600)	\$ (4,563)
Property and equipment	<u>(137,681)</u>	<u>(78,721)</u>
Total deferred income tax liability	<u><u>\$ (140,281)</u></u>	<u><u>\$ (83,284)</u></u>

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

	<u>2020</u>	<u>2019</u>
Deferred tax liabilities		
Net cash basis		
Federal	\$ (1,830)	\$ (3,212)
State	(770)	(1,351)
Property and equipment		
Federal	(126,869)	(65,041)
State	<u>(10,812)</u>	<u>(13,680)</u>
Total deferred tax liabilities	<u><u>\$ (140,281)</u></u>	<u><u>\$ (83,284)</u></u>

Intermountain Disposal

Notes to Financial Statements
December 31, 2020 and 2019

Income Tax Provision

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

	<u>2020</u>	<u>2019</u>
Current income tax expense		
Federal	\$ 6,142	\$ 32,339
State	42,338	5,692
Deferred income tax expense (benefit)		
Federal	60,446	(33,117)
State	(3,449)	(3,263)
Total income tax expense	<u>\$ 105,477</u>	<u>\$ 1,651</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 2017 and state tax authorities for years prior to 2016. The Company currently has no tax years under examination.