

**Intermountain Disposal**  
**(A division of Intermountain Disposal, Inc.)**  
**Financial Statements**  
**December 31, 2021 and 2020**

**Intermountain Disposal**

## Table of Contents

December 31, 2021 and 2020

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	Page
Independent Auditors' Report	2 - 3
Financial Statements	
Balance Sheets	4
Statements of Income and Retained Earnings	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 17



Certified Public Accountants

Jeff Vathayanon, CPA  
Paul Tibma, CPA  
Jason Reecy, CPA/ABV

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Intermountain Disposal (a division of Intermountain Disposal, Inc.) (a C Corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Intermountain Disposal and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of Intermountain Disposal (a division of Intermountain Disposal, Inc.) as of December 31, 2020 were audited by other auditors whose report dated March 15, 2021 expressed an unmodified opinion on those statements.

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Intermountain Disposal's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Intermountain Disposal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Intermountain Disposal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*VT Accounting Associates, LLP*

Carson City, Nevada

March 10, 2022



**Intermountain Disposal**

## Balance Sheets

December 31, 2021 and 2020

<b>Assets</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Current Assets		
Cash and cash equivalents	\$ 1,087,111	\$ 941,790
Accounts receivable, net of allowance of \$3,018	97,422	147,797
Prepaid expenses	56,490	43,278
Prepaid income taxes	-	5,011
Due from related parties	<u>60,392</u>	<u>27,010</u>
Total Current Assets	<u>1,301,415</u>	<u>1,164,886</u>
Non-Current Assets		
Property and equipment, net	616,026	628,502
Feasibility study	<u>156,535</u>	<u>156,535</u>
Total Non-Current Assets	<u>772,561</u>	<u>785,037</u>
<b>Total Assets</b>	<b><u>\$ 2,073,976</u></b>	<b><u>\$ 1,949,923</u></b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 65,151	\$ 78,405
Income taxes payable	12,299	30,433
Accrued liabilities	113,004	96,573
Customer deposits	<u>115,682</u>	<u>103,152</u>
Total Current Liabilities	<u>306,136</u>	<u>308,563</u>
Long-term Liabilities		
Deferred income taxes	<u>130,174</u>	<u>140,281</u>
Total Long-term Liabilities	<u>130,174</u>	<u>140,281</u>
<b>Total Liabilities</b>	<b><u>436,310</u></b>	<b><u>448,844</u></b>
Stockholders' Equity		
Capital stock, no par value, 2,500 shares authorized, 1,000 shares issued and outstanding	47,610	47,610
Retained earnings	<u>1,590,056</u>	<u>1,453,469</u>
Total Stockholders' Equity	<u>1,637,666</u>	<u>1,501,079</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 2,073,976</u></b>	<b><u>\$ 1,949,923</u></b>

See accompanying notes to financial statements.

**Intermountain Disposal**

Statements of Income and Retained Earnings  
 For the Years Ended December 31, 2021 and 2020

	2021		2020	
	Amount	Percent	Amount	Percent
<b>Revenue</b>				
Commercial	\$ 605,544	29.7	\$ 629,362	32.5
Residential	456,819	22.4	426,142	22.0
Transfer station	374,609	18.4	316,210	16.3
Roll-off containers	270,979	13.3	176,375	9.1
Tipping fees	138,382	6.8	154,395	8.0
Tipping fees - related party	143,127	7.0	144,761	7.5
Special service	26,976	1.3	57,923	3.0
Recycling	23,942	1.2	34,335	1.8
Total Revenue	<u>2,040,378</u>	<u>100.0</u>	<u>1,939,503</u>	<u>100.0</u>
<b>Operating Expenses</b>				
<b>Labor</b>				
Payroll - route	322,599	15.8	251,783	13.0
Payroll - office	91,438	4.5	88,374	4.6
Payroll - company executive officer	88,374	4.3	88,374	4.6
Payroll - transfer station	61,316	3.0	90,742	4.7
Payroll - taxes	48,728	2.4	45,021	2.3
Retirement plan contribution	98,913	4.9	87,702	4.5
Workers' compensation insurance	25,136	1.2	32,559	1.7
Employee benefits	24,428	1.2	24,387	1.3
Casual labor	318	0.0	1,289	0.1
Total Labor	<u>761,250</u>	<u>37.3</u>	<u>710,231</u>	<u>36.6</u>
<b>Diesel Fuel</b>				
Diesel fuel	<u>117,852</u>	<u>5.8</u>	<u>99,091</u>	<u>5.1</u>
Total Diesel Fuel	<u>117,852</u>	<u>5.8</u>	<u>99,091</u>	<u>5.1</u>
<b>Vehicle Replacement</b>				
Depreciation - vehicles	166,929	8.6	131,846	6.8
Equipment rent	28,146	1.5	30,320	1.6
Total Vehicle Replacement	<u>195,075</u>	<u>10.1</u>	<u>162,166</u>	<u>8.4</u>
<b>Vehicle Maintenance</b>				
Vehicle maintenance	36,820	1.9	39,957	2.1
Tires	37,152	1.9	27,407	1.4
Total Vehicle Maintenance	<u>73,972</u>	<u>3.8</u>	<u>67,364</u>	<u>3.5</u>
<b>Disposal</b>				
Dump fees	247,446	12.8	236,845	12.2
Franchise fees	152,827	7.9	123,156	6.4
Hazardous waste	12,055	0.6	10,986	0.6
Transfer station rental	9,600	0.5	9,600	0.5
Commingled material fees	10,558	0.5	4,768	0.3
Total Disposal	<u>432,486</u>	<u>22.3</u>	<u>385,355</u>	<u>19.9</u>

**Intermountain Disposal**

Statements of Income and Retained Earnings  
 For the Years Ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>		
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
<b>All Other</b>				
Building rent - related party	69,102	3.4	70,560	3.6
Accounting	60,438	3.0	58,684	3.0
Insurance	60,445	3.0	54,263	2.8
Business taxes, licenses and fees	40,220	2.0	38,019	2.0
Operating and office supplies	26,681	1.3	35,408	1.8
Depreciation - equipment	15,435	0.8	19,958	1.0
Telephone and internet	18,253	0.9	13,958	0.7
Utilities	13,697	0.7	11,794	0.6
Equipment maintenance	1,296	0.1	10,526	0.5
Equipment rental - related party	9,719	0.5	9,359	0.5
Consulting fees	409	0.0	7,598	0.4
Other rent	6,388	0.3	6,382	0.3
Fuel, oil and lubricants	6,294	0.3	4,832	0.3
Depreciation - leasehold improvements	3,080	0.2	2,784	0.1
General maintenance	13,237	0.7	2,023	0.1
Association dues	3,038	0.2	1,527	0.1
Bad debts	10,504	0.5	1,326	0.1
Entertainment	1,601	0.1	1,131	0.1
Advertising and promotion	-	-	637	0.0
Depreciation - office	1,063	0.1	497	0.0
Legal	113	0.0	337	0.0
Charitable contributions	1,500	0.1	-	-
<b>Total All Other</b>	<b>362,513</b>	<b>17.8</b>	<b>351,603</b>	<b>18.1</b>
<b>Total Operating Expenses</b>	<b>1,943,148</b>	<b>97.0</b>	<b>1,775,810</b>	<b>91.6</b>
<b>Operating Income</b>	<b>97,230</b>	<b>3.0</b>	<b>163,693</b>	<b>8.4</b>
<b>Other Income (Expense)</b>				
Interest income	1,210	0.1	2,316	0.1
Refunds	11,281	0.6	5,354	0.3
Interest expense	-	-	-	-
Miscellaneous	(7,423)	(0.4)	883	0.1
Gain (loss) on asset dispositions	61,417	3.0	146,689	7.6
Gain on debt forgiveness	-	-	120,469	6.2
<b>Total Other Income (Expense)</b>	<b>66,485</b>	<b>3.3</b>	<b>275,711</b>	<b>14.2</b>
<b>Income Before Income Taxes</b>	<b>163,715</b>	<b>6.2</b>	<b>439,404</b>	<b>22.7</b>
<b>Income Tax Expense</b>	<b>(27,128)</b>	<b>(1.3)</b>	<b>(105,477)</b>	<b>(5.4)</b>
<b>Net Income</b>	<b>\$ 136,587</b>	<b>4.9</b>	<b>\$ 333,927</b>	<b>17.2</b>
<b>Retained Earnings, Beginning of Period</b>	<b>1,453,469</b>		<b>1,119,542</b>	
<b>Retained Earnings, End of Period</b>	<b>\$ 1,590,056</b>		<b>\$ 1,453,469</b>	

**Intermountain Disposal**

## Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 136,587	\$ 333,927
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	186,506	155,085
Deferred income taxes	(10,107)	56,997
Bad debts	-	1,326
(Gain) loss on asset dispositions	(61,417)	(146,689)
Gain on debt forgiveness	-	(120,469)
Changes in operating assets and liabilities		
Accounts receivable, net	50,375	(24,254)
Prepaid expenses	(13,212)	(3,531)
Prepaid income taxes	5,011	4,533
Accounts payable	(13,254)	19,173
Income taxes payable/prepaid	(18,134)	21,346
Accrued liabilities	16,431	7,015
Customer deposits	<u>12,530</u>	<u>14,588</u>
<b>Net Cash Provided by Operating Activities</b>	<u>291,316</u>	<u>319,047</u>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(112,613)	(445,994)
Proceeds from asset dispositions	<u>-</u>	<u>146,689</u>
<b>Net Cash Used by Investing Activities</b>	<u>(112,613)</u>	<u>(299,305)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program promissory note	<u>-</u>	<u>120,469</u>
Due to related party	<u>(33,382)</u>	<u>(6,393)</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(33,382)</u>	<u>114,076</u>
<b>Net Increase in Cash</b>	<u>145,321</u>	<u>133,818</u>
<b>Cash and cash equivalents, Beginning of Year</b>	<u>941,790</u>	<u>807,992</u>
<b>Cash and cash equivalents, End of Year</b>	<u><u>\$ 1,087,111</u></u>	<u><u>\$ 941,790</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the period for		
Interest	<u>\$ -</u>	<u>\$ 28</u>
Income taxes	<u>\$ 40,251</u>	<u>\$ 15,239</u>
<b>Supplemental Disclosure of Non-Cash</b>		
Investing and Financing Activities		
Capital equipment exchanged	<u>\$ 70,000</u>	<u>\$ -</u>

**INTERMOUNTAIN DISPOSAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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**1. ORGANIZATION**

**General**

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Intermountain Disposal is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing the financial statements include those used in recording liabilities for litigation claims and costs for probable and estimable losses. Actual results could differ from those estimates, and it is reasonably possible that the significant estimates used will change within the next year.

**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**

Trade accounts receivable and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to

**INTERMOUNTAIN DISPOSAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Accounts and other receivable from related parties are considered fully collectable and no valuation allowances are provided for.

**Property and Equipment**

Property and equipment are carried at historical cost less accumulated depreciation and amortization. Property and equipment in excess of \$500 are capitalized at cost. Interest incurred during construction of long-lived assets are capitalized to the basis of the property and depreciated over the life of the asset. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Vehicles	5 years
Disposal equipment	5 – 7 years
Office equipment	7 years
Software	3 years
Leasehold improvements	5 – 39 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are expensed as incurred. The costs of improvements are capitalized. Gains or losses on the disposition of assets are included in income.

**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.

**Revenue Recognition**

Revenue is recognized in accordance with ASU 2014-09 Revenue from Contracts with Customers (Topic 606) adopted on January 1, 2019. Revenues are generated from the fees charged for waste collection, tip fees for waste received, and from the sale of recycling commodities. The fees charged for services are generally defined in the Company's service agreements and vary based on contract-specific terms such as frequency of service, weight, volume, and the general market factors influencing the region's rates. Revenue is recognized when control is transferred to the customer, generally at the time service is provided, waste material is received, or recycling materials are shipped; therefore, it is not necessary to disaggregate revenue based on timing of the transfer of goods or services because there is no revenue recognized over time.

**INTERMOUNTAIN DISPOSAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Revenue is measured as the amount of consideration expected to be received in exchange for providing service. For example, revenue typically is recognized as waste and recycling is collected or received, or recycling commodities are shipped.

The Company's payment terms vary by the type and location of its customers and the services provided or type of materials received or sold. The term between invoicing and when payment is due is not significant. Provisions for refunds and late fees are variable considerations and are recorded when refunds are paid and when payments are late, as amounts are typically immaterial to the Company's financial statements. In the event the Company bills for services in advance of performance, deferred revenue is recorded as a liability on the balance sheet for the amount billed and subsequently recognized as revenue at the time the service is provided.

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. The Company's revenues by applicable service are further described below.

*Collection* - Collection revenues are principally generated by providing solid waste, green waste, C&D materials, recycling, and disposal services. Services may be provided as needed or as scheduled to franchise and non-franchise customers. The majority of collection services are performed on a subscription basis with commercial, multi-family and residential customers.

*Dump Services* - dump fee revenues are principally generated by receiving solid waste, green waste, C&D and other materials at the transfer station. The transfer station is open to the general public. In general, these fees may vary depending on the volume and type of material.

*Recyclable Materials* - Recycling services primarily consist of the receipt of recycled materials collected from customers, materials being sorted/pulled at material recovery facilities and sold to commodity brokers. Revenue is recognized when the recycled material is shipped to the brokers. In general, these fees are variable in nature. Recycling revenue is also recognized from payments received from California's Curbside Collection Program, which is recognized when the payment is received due to the nature of the source.

**Long-Lived Assets**

The carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances, both internally and externally, that may suggest impairment. If considered impaired, the asset will be written down to fair value and a corresponding impairment loss will be recognized. To date, no such impairment has been indicated.

**Leases**

Leases which meet certain criteria are classified as capital leases, and assets and liabilities are recorded at amounts equal to the lesser of the present value of the minimum lease payments or the fair value of the lease properties at the beginning of the respective lease terms. Such assets are amortized over their estimated useful lives or over the term of the lease, whichever is shorter. Interest expense relating to the

**INTERMOUNTAIN DISPOSAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

lease liabilities is recorded to effect constant rates of interest over the terms of the leases. Leases which do not meet such criteria are classified as operating leases and related rentals are charged to expense as incurred.

**Accounting for Income Taxes**

The Company accounts for income taxes in accordance with the FASB Accounting Standards of Codification ("ASC") 740, Income Taxes. ASC 740 requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

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.

The Company follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which provides guidance on accounting for uncertainty in income taxes recognized in the Company's financial statements. As of December 31, 2021, the Company had no uncertain tax positions that require either recognition or disclosure in the Company's financial statements.

**Corporate Expenses**

Corporate expenses, including overhead expenses such as rent, utilities, insurance and office supplies, are allocated approximately sixty-two percent to Intermountain Disposal, twenty percent to Sierra Disposal and eighteen percent to City of Portola Disposal based on their relative total revenues, for the year ended December 31, 2021. The corporate executive officer's salary allocated to Intermountain Disposal was \$88,374 for each of the years ended December 31, 2021 and 2020. The corporate financial officer's salary allocated to Intermountain Disposal was \$91,438 and \$88,374 for the years ended December 31, 2021 and 2020, respectively.

**New Accounting Pronouncements**

**Topic 842-Leases** – In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10 and 2019-01, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12

**INTERMOUNTAIN DISPOSAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Company on January 1, 2022, with early adoption permitted. The Company plans to adopt the new standard on its effective date. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity then must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company expects to adopt the new standard on January 1, 2022 and use the effective date as the date of initial application. Consequently, the comparative financial information will not be updated to be comparative, will not recast its comparative period's opening balance and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2022.

The new standard provides a number of optional practical expedients in transition. The Company expects to elect the 'package of practical expedients', which allows the Company not to reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. Additionally, the Company does not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to it.

The new standard also provides practical expedients for an entity's ongoing accounting. The Company currently expects to elect the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also expects to elect the practical expedient to not separate lease and non-lease components.

Although management continues to assess all of the effects of adoption, the Company expects the standard will not be material to its financial statements.

*ASU 2016-13-Credit Losses* – In June 2016, the FASB issued ASU 2016-13 associated with the measurement of credit losses on financial instruments. The amended guidance replaces the current incurred loss impairment methodology of recognizing credit losses when a loss is probable, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. The amended guidance is effective for nonpublic entities for years and interim periods beginning after December 15, 2021. The Company is assessing the provisions of this amended guidance and evaluating the impact on its financial statements.

**INTERMOUNTAIN DISPOSAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**3. RELATED PARTY TRANSACTIONS**

**Tipping Fees**

Related party revenue includes tipping fees charged to other divisions. For the years ended December 31, 2021 and 2020, tipping fees charged to Portola Disposal were \$132,054 and \$125,263, respectively. For the years ended December 31, 2021 and 2020, tipping fees charged to Sierra Disposal were \$11,074 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, 2021 and 2020, equipment rental expense charged to the Company by Sierra Disposal was \$9,719 and \$9,359, 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>2021</u>	<u>2020</u>
Due from Sierra Disposal	\$ 38,515	\$ 11,812
Due from City of Portola Disposal	<u>21,877</u>	<u>15,198</u>
Due from related parties	<u>\$ 60,392</u>	<u>\$ 27,010</u>

Such amounts were recorded as due from related parties. For the years ended December 31, 2021 and 2020, no amounts of income taxes were paid by the Company for other divisions and no amounts were paid by other divisions for the Company.

**Building Rent**

The Company rents their operating facilities and office space from the stockholders. Total building rent was \$69,102 and \$70,560 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, no amounts of rent were due to the stockholders.

**4. CONCENTRATIONS**

**Concentration of Activity**

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

**INTERMOUNTAIN DISPOSAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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**4. CONCENTRATIONS – (CONTINUED)**

**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, 2021, the Company had approximately \$421,319 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.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments under previous and existing garbage collection and disposal contracts and contingent liabilities arising from threatened and pending litigation.

**Environmental Risks** – The Company is subject to extensive and evolving federal, state and local environmental, health, safety and transportation laws and regulations. Under these current laws and regulations, the Company may be subject to liability for any environmental damage that its collection and disposal operations may cause to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water, and especially drinking water, including damage resulting from conditions existing prior to the liability for any off-site environmental contamination caused by pollutants or hazardous substances whose transportation, or disposal was arranged by the Company. Additionally, the Company may be liable for any contamination from neighboring facilities. Any substantial liability for environmental damage incurred by the Company could have a material adverse effect on the Company’s financial condition, results of operations, or cash flows. As of December 31, 2021, the Company is not aware of any such environmental liabilities.

In addition, due to the numerous complex rules, orders and interpretations governing environmental protection, health, safety, land use, zoning, transportation and related matters, among other things, the Company’s operations may incur additional unanticipated costs. The costs of complying with these regulations could have a material adverse effect on the Company’s financial condition, results of operations, or cash flows. Such conditions include, but are not limited, the following:

- Limitations on siting and constructing new waste disposal, transfer or processing facilities or expanding existing facilities;
- Limitations, regulations or levies on collection and disposal prices, rates and volumes;
- Limitations or bans on disposal or transportation of out-of-state waste or certain categories of waste;
- Mandates regarding the disposal of solid waste, or;
- Price volatility of recycling commodities.

**INTERMOUNTAIN DISPOSAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 5 – COMMITMENTS AND CONTINGENCIES – (CONTINUED)**

**COVID-19 Pandemic** – On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic, constituting a “Public Health Emergency of International Concern”. Through the date of the report, the COVID-19 outbreak has had an impact on the Company’s customers, employees, suppliers, and recycling end markets. The full extent of the impact of COVID-19 on the Company’s operational and financial performance will depend largely on future developments, including the duration and spread of the outbreak and the resultant impact on the Company’s customers, employees, suppliers and recycling end market demand (much of the latter based on international market conditions), all of which remain uncertain. As a result, the extent to which COVID-19 may impact the Company’s financial condition and results of operations remains unknown.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<b>2021</b>	<b>2020</b>
Vehicles	\$ 1,878,357	\$ 1,897,378
Disposal equipment	653,367	641,096
Office furniture	33,471	33,471
Leasehold improvements	99,341	83,896
Software	6,909	4,646
Property and equipment	2,671,445	2,660,487
Less: accumulated depreciation	<u>2,055,419</u>	<u>2,031,985</u>
Property and equipment, net	<u>\$ 616,026</u>	<u>\$ 628,502</u>

**7. OBLIGATIONS UNDER OPERATING LEASES AND 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:

2022	\$ 32,737
2023	30,018
2024	18,107
2025	9,600
2026	9,600
Thereafter	<u>12,000</u>
Total	<u>\$ 112,062</u>

**INTERMOUNTAIN DISPOSAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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**7. OBLIGATIONS UNDER OPERATING LEASES AND AGREEMENTS – (CONTINUED)**

Equipment rent expense for the years ended December 31, 2021 and 2020 was \$28,146 and \$30,320, respectively. Rent expense related to use of County facilities for each of the years ended December 31, 2021 and 2020 was \$9,600.

**8. TIPPING FEES**

Tipping fees earned from Sierra County Public Works for the years ended December 31, 2021 and 2020 were \$138,382 and \$154,395, respectively.

**9. PAYCHECK PROTECTION PROGRAM AND 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

**10. 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, 2021 was \$154,302, and the portion allocated to the Company was \$98,913. The total contribution for the year ended December 31, 2020 was \$144,507, and the portion allocated to the Company was \$87,702.

**11. INCOME TAXES**

**Deferred Income Taxes**

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

	<u>2021</u>	<u>2020</u>
Deferred tax liabilities		
Net cash basis	\$ 11,171	\$ (2,600)
Property and equipment	<u>(141,345)</u>	<u>(137,681)</u>
Total deferred income tax liability	<u>\$ (130,174)</u>	<u>\$ (140,281)</u>

**INTERMOUNTAIN DISPOSAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**11. INCOME TAXES – (CONTINUED)**

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

	<u>2021</u>	<u>2020</u>
Deferred tax liabilities		
Net cash basis		
Federal	\$ 7,862	\$ (1,830)
State	3,309	(770)
Property and equipment		
Federal	(124,981)	(126,869)
State	<u>(16,364)</u>	<u>(10,812)</u>
Total deferred income tax liability	<u>\$ (130,174)</u>	<u>\$ (140,281)</u>

**Income Tax Provision**

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

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Federal	\$ 24,150	\$ 6,142
State	13,085	42,338
Deferred income tax expense		
Federal	(11,580)	60,446
State	<u>1,473</u>	<u>(3,449)</u>
Total income tax expense	<u>\$ 37,235</u>	<u>\$ 105,477</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.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated by the management through the date of the auditors' report, which is the date the financial statements were available to be issued. No significant events have occurred from December 31, 2021 through the date of issuance.