



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

FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Opinion

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, 2022 and 2021, and the related statements of operations, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Feather River Disposal as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 Feather River Disposal and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the 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 liability to 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.



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Responsibilities 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 Feather River Disposal's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 Feather River 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 Feather River 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.

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 14 - 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the management of the Company and the County of Plumas and is not intended to be and should not be used by anyone other than these specified parties.

Propp Christensen Caniglia LLP

March 14, 2023
Roseville, California

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

BALANCE SHEETS
December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 10,547	\$ 33,134
Accounts receivable, net of allowance for doubtful accounts of \$1,583 and \$44,914, respectively	23,626	42,238
Other receivables	-	24,777
Inventory	39,085	32,210
Prepaid expenses and other assets	-	7,733
Total current assets	73,258	140,092
Property and equipment, net	542,173	422,165
Construction in progress	27,321	-
Intercompany receivable from USA Waste of California, Inc.	6,170,551	6,243,709
Total assets	\$ 6,813,303	\$ 6,805,966

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 42,724	\$ 57,807
Accrued liabilities	101,913	116,144
Deferred income	1,147	1,065
Total current liabilities	145,784	175,016
Deferred income tax liability	89,462	44,362
Total liabilities	235,246	219,378
Stockholders' equity:		
Common stock	77,044	77,044
Retained earnings	6,501,013	6,509,544
Total stockholders' equity	6,578,057	6,586,588
Total liabilities and stockholders' equity	\$ 6,813,303	\$ 6,805,966

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, 2022 and 2021

	2022	2021
Revenue:		
Residential	\$ 1,415,498	\$ 1,288,771
Commercial	1,952,674	1,982,485
Transfer site	734,691	568,126
Recycling materials and other revenue	126,508	100,331
Total Revenue	4,229,371	3,939,713
Costs and expenses:		
Payroll	1,435,826	1,157,176
Employee benefits	413,142	352,526
Accounting	14,198	19,784
Administrative fees	34,394	54,317
Advertising and promotion	8,301	3,582
Bad debt	(18,202)	62,731
Bank charges	21,545	22,818
Contract labor	-	7,553
Contributions	13,090	11,614
Corporate overhead	275,662	258,935
Depreciation	53,096	34,727
Equipment maintenance	88,630	97,519
Equipment rental	27,357	6,580
Gas and oil	298,308	226,685
Insurance	98,217	36,223
Miscellaneous	15,166	-
Office supplies	17,721	10,430
Operating supplies	4,834	1,470
Property taxes	14,523	12,284
Recycling purchases	84,619	85,973
Solid waste disposal	511,078	387,999
Subcontractor costs	614,710	614,672
Tax and licenses	29,218	26,622
Tires	26,911	29,670
Travel	95,584	12,857
Uniforms	10,635	8,296
Utilities and telephone	53,336	43,186
Total costs and expenses	4,241,899	3,586,229
Income (loss) before provision for income taxes	(12,528)	353,484
Provision for income taxes (expense) benefit	3,997	(98,211)
Net income (loss)	(8,531)	255,273
Retained earnings, beginning of year	6,509,544	6,254,271
Retained earnings, end of year	\$ 6,501,013	\$ 6,509,544

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ (8,531)	\$ 255,273
Adjustments to reconcile net income (loss) to net cash net cash provided by operating activities:		
Depreciation and amortization	53,096	34,727
Bad debt expense (recovery)	(18,385)	62,731
Deferred tax benefit	45,100	42,721
Changes in operating assets and liabilities:		
Accounts receivable	36,997	(71,876)
Other receivables	24,777	19,697
Inventory	(6,875)	10,796
Prepaid expenses and other assets	7,733	1,026
Accounts payable	(15,083)	20,429
Accrued liabilities	(14,231)	15,531
Deferred income	82	(26)
	104,680	391,029
Cash flows from investing activities:		
Purchases of equipment	(200,425)	(110,967)
Cash flows from financing activities:		
Net change in intercompany payable to USA Waste of California, Inc.	73,158	(253,595)
Change in cash and cash equivalents	(22,587)	26,467
Cash and cash equivalents, beginning of year	33,134	6,667
Cash and cash equivalents, end of year	\$ 10,547	\$ 33,134

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

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021:

	2022	2021
Fuel, oil and lubricants	\$ 5,016	\$ 5,680
Parts & tires	31,790	25,557
Recyclable materials	2,279	973
Total	<u>\$ 39,085</u>	<u>\$ 32,210</u>

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021 is \$8,301 and \$3,582, 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 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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 14, 2023, 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, 2022 and 2021:

	2022	2021
Land	\$ 209,800	\$ 209,800
Buildings and improvements	308,762	308,762
Vehicles, machinery and equipment	3,485,347	3,379,297
Subtotal	4,003,909	3,897,859
Less accumulated depreciation	(3,461,736)	(3,475,694)
Property and equipment, net	\$ 542,173	\$ 422,165

Depreciation expense for the years ended December 31, 2022 and 2021, were \$53,096 and \$34,727, 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 \$447,318 and \$354,869 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the Parent paid \$4,420,295 and \$3,572,393, 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 \$4,506,015 and \$4,124,159 for the years ended December 31, 2022 and 2021, respectively.

FEATHER RIVER DISPOSAL
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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 \$6,170,551 and \$6,243,709 as of December 31, 2022 and 2021, respectively.

Direct transactions with affiliated operating or administrative divisions of the parent corporation for the years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Revenue:		
Oakleaf Global Holdings <i>Commercial</i>	\$ 75,075	\$ 47,867
North Valley Disposal Services <i>Recycling materials and other revenue</i>	\$ 10,290	\$ 6,473
Expenses:		
Refuse, Inc. <i>Solid waste disposal</i>	\$ 429,347	\$ 338,900
USA Waste of California, Inc. <i>Administrative fees</i>	\$ 34,394	\$ 54,317

NOTE 5: INCOME TAXES

The provision for income taxes consisted of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Federal income tax (expense) benefit:		
Current	\$ 33,587	\$ (37,962)
Deferred	(30,853)	(29,225)
Net federal income tax (expense) benefit	<u>2,734</u>	<u>(67,187)</u>
State income tax (expense) benefit:		
Current	15,510	(17,529)
Deferred	(14,247)	(13,495)
Net state income tax (expense) benefit	<u>1,263</u>	<u>(31,024)</u>
Provision for income tax (expense) benefit	<u>\$ 3,997</u>	<u>\$ (98,211)</u>

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5: INCOME TAXES (CONTINUED)

The net deferred tax assets and liabilities as of December 31, 2022 and 2021, are as follows:

	2022	2021
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	\$ 443	\$ 12,569
Compensated absences	-	407
Accrued bonus	1,049	176
Prepaid taxes and licenses	-	(2,164)
Property and equipment	(90,954)	(55,350)
Net deferred tax asset (liability)	\$ (89,462)	\$ (44,362)

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 \$34,435 and \$30,955 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

There were no non-cash investing or financing activities during the years ended December 31, 2022 and 2021.

The Company paid no cash for interest or income taxes for the years ended December 31, 2022 and 2021. 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, 2022

	Plumas County Contract	Quincy Community Services District	Chester Public Utility District	Total
Revenue:				
Residential	\$ 961,794	\$ 177,944	\$ 275,760	\$ 1,415,498
Commercial	1,211,714	398,846	344,114	1,954,674
Transfer site	734,691	-	-	734,691
Recycling and other	124,085	1,533	890	126,508
Total revenue	<u>3,032,284</u>	<u>578,323</u>	<u>620,764</u>	<u>4,231,371</u>
Costs and expenses:				
Payroll	1,073,770	174,621	187,435	1,435,826
Employee benefits	311,627	48,961	52,554	413,142
Accounting	14,198	-	-	14,198
Administrative fees	25,864	4,452	4,078	34,394
Advertising and promotion	5,948	1,135	1,218	8,301
Bad debt	(12,842)	(6,248)	888	(18,202)
Bank charges	15,439	2,945	3,161	21,545
Contributions	7,142	4,664	1,284	13,090
Corporate overhead	201,009	35,856	38,797	275,662
Depreciation	39,214	6,695	7,187	53,096
Equipment maintenance	65,387	11,210	12,033	88,630
Equipment rental	19,845	3,623	3,889	27,357
Franchise fee	1,434	273	293	2,000
Gas and oil	214,125	40,602	43,581	298,308
Insurance	72,432	12,436	13,349	98,217
Miscellaneous	10,866	2,074	2,226	15,166
Office supplies	14,118	1,754	1,849	17,721
Operating supplies	3,464	661	709	4,834
Property taxes	12,022	1,206	1,295	14,523
Recycling purchases	84,619	-	-	84,619
Solid waste disposal	368,415	75,579	67,084	511,078
Subcontractor costs	608,813	2,844	3,053	614,710
Tax and licenses	20,927	3,999	4,292	29,218
Tires	19,285	3,678	3,948	26,911
Travel	71,286	11,719	12,579	95,584
Uniforms	7,621	1,454	1,560	10,635
Utilities and telephone	38,221	7,290	7,825	53,336
Total costs and expenses	<u>3,314,249</u>	<u>453,483</u>	<u>476,167</u>	<u>4,243,899</u>
Income (loss) before provision for income taxes	<u>\$ (281,965)</u>	<u>\$ 124,840</u>	<u>\$ 144,597</u>	<u>\$ (12,528)</u>

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

NOTES TO SUPPLEMENTARY INFORMATION
December 31, 2022

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	\$	3,464
Charitable donations		<u>4,643</u>
 Total non-allowable expenses	 \$	 <u>8,107</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 2022, calculated in accordance with the County contract, is as follows:

Plumas County contract loss before adjustment for non-allowable expense	\$	(281,965)
Non-allowable expenses		<u>8,107</u>
 Adjusted Plumas County contract loss	 \$	 <u>(273,858)</u>
 Contract revenue – net of solid waste disposal (tipping fees)	 \$	 <u>2,663,869</u>
 Rate of Return (Loss)		 <u>(10.28%)</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	\$ 1,385,397	\$ -	\$ 1,385,397
Diesel fuel	214,125	-	214,125
Vehicle replacement	19,285	-	19,285
Vehicle maintenance	65,387	-	65,387
Disposal	368,415	-	368,415
All other costs	<u>1,253,533</u>	<u>8,107</u>	<u>1,253,533</u>
 Total expenditures	 <u>\$ 3,306,142</u>	 <u>\$ 8,107</u>	 <u>\$ 3,314,249</u>