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Plumas County, Calif

Intermountain Disposal

(A division of Intermountain Disposal, Inc.)

Financial Statements

December 31, 2022 and 2021

Intermountain Disposal
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December 31, 2022 and 2021

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VT Accounting Associates, LLP
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 sheets as of December 31, 2022 and 2021, 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.

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, 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 Intermountain 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.

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.

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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, 2023

Intermountain Disposal
Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,204,186	$ 1,087,111
Accounts receivable, net of allowance of $3,018	138,190	97,422
Prepaid expenses	74,868	56,490
Due from related parties	3,082	60,392
Total Current Assets	1,420,326	1,301,415
Non-Current Assets		
Property and equipment, net	834,711	616,026
Feasibility study	156,535	156,535
Operating lease right-of-use assets	340,545	-
Total Non-Current Assets	1,331,791	772,561
Total Assets	$ 2,752,117	$ 2,073,976
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 47,914	$ 65,151
Income taxes payable	-	12,299
Accrued liabilities	145,998	113,004
Due to related parties	4,397	-
Customer deposits	131,632	115,682
Current portion of operating lease liabilities	85,208	-
Total Current Liabilities	415,149	306,136
Long-term Liabilities		
Long-term portion of operating lease liabilities	255,337	-
Deferred income taxes	180,202	130,174
Total Long-term Liabilities	435,539	130,174
Total Liabilities	850,688	436,310
Stockholders' Equity		
Capital stock, no par value, 2,500 shares authorized, 1,000 shares issued and outstanding	47,610	47,610
Retained earnings	1,853,819	1,590,056
Total Stockholders' Equity	1,901,429	1,637,666
Total Liabilities and Stockholders' Equity	$ 2,752,117	$ 2,073,976

See accompanying notes to financial statements.

Intermountain Disposal
Statements of Income and Retained Earnings
For the Years Ended December 31, 2022 and 2021

	2022		2021	
	Amount	Percent	Amount	Percent
Revenue				
Commercial	$ 714,078	31.8	$ 605,544	29.7
Residential	515,507	23.0	456,819	22.4
Transfer station	337,651	15.1	374,609	18.4
Roll-off containers	222,564	9.9	270,979	13.3
Tipping fees	159,155	7.1	138,382	6.8
Tipping fees - related party	163,538	7.3	143,127	7.0
Special service	45,236	2.0	26,976	1.3
Green waste program	50,165	2.2	-	-
Recycling	35,712	1.6	23,942	1.2
Total Revenue	2,243,606	100.0	2,040,378	100.0
Operating Expenses				
Labor				
Payroll - route	326,206	14.5	322,599	15.8
Payroll - office	97,867	4.4	91,438	4.5
Payroll - company executive officer	95,295	4.3	88,374	4.3
Payroll - transfer station	78,488	3.5	61,316	3.0
Payroll - taxes	49,645	2.2	48,728	2.4
Retirement plan contribution	126,994	5.7	98,913	4.9
Workers' compensation insurance	25,756	1.2	25,136	1.2
Employee benefits	27,631	1.2	24,428	1.2
Casual labor	-	0.0	318	0.0
Total Labor	827,882	36.9	761,250	37.3
Diesel Fuel				
Diesel fuel	187,569	8.4	117,852	5.8
Total Diesel Fuel	187,569	8.4	117,852	5.8
Vehicle Replacement				
Depreciation - vehicles	207,284	9.2	166,929	8.2
Equipment rent	30,944	1.4	28,146	1.4
Total Vehicle Replacement	238,228	10.6	195,075	9.6
Vehicle Maintenance				
Vehicle maintenance	56,797	2.5	36,820	1.8
Tires	21,557	1.0	37,152	1.8
Total Vehicle Maintenance	78,354	3.5	73,972	3.6
Disposal				
Dump fees	269,760	12.0	247,446	12.1
Franchise fees	94,974	4.2	152,827	7.5
Hazardous waste	230	0.0	12,055	0.6
Transfer station rental	9,600	0.4	9,600	0.5
Commingled material fees	1,551	0.1	10,558	0.5
Total Disposal	376,115	16.8	432,486	21.2

Intermountain Disposal
Statements of Income and Retained Earnings
For the Years Ended December 31, 2022 and 2021

	2022 Amount	2022 Percent	2021 Amount	2021 Percent
All Other				
Building rent - related party	69,102	3.1	69,102	3.4
Accounting	76,834	3.4	60,438	3.0
Insurance	83,016	3.7	60,445	3.0
Business taxes, licenses and fees	34,887	1.6	40,220	2.0
Operating and office supplies	36,585	1.6	26,681	1.3
Depreciation - equipment	21,217	1.0	15,435	0.8
Telephone and internet	13,909	0.6	18,253	0.9
Utilities	15,704	0.7	13,697	0.7
Equipment maintenance	584	0.0	1,296	0.1
Equipment rental - related party	10,157	0.5	9,719	0.5
Consulting fees	-	-	409	0.0
Computer support	8,795	0.4	6,388	0.3
Fuel, oil and lubricants	11,109	0.5	6,294	0.3
Depreciation - leasehold improvements	3,135	0.1	3,080	0.2
General maintenance	10,576	0.5	13,237	0.7
Association dues	140	0.0	3,038	0.2
Bad debts	2,667	0.1	10,504	0.5
Entertainment	3,037	0.1	1,601	0.1
Advertising and promotion	86	-	-	-
Depreciation - office	414	0.0	1,063	0.1
Legal	1,788	0.1	113	0.0
Charitable contributions	700	0.0	1,500	0.1
Total All Other	404,442	18.0	362,513	17.8
Total Operating Expenses	2,112,590	94.2	1,943,148	95.2
Operating Income	131,016	5.9	97,230	4.8
Other Income (Expense)				
Interest income	2,169	0.1	1,210	0.1
Refunds	4,881	0.2	11,281	0.6
Interest expense	-	-	-	-
Other income/(expense)	80,166	3.6	(7,423)	(0.4)
Gain (loss) on asset dispositions	159,228	7.1	61,417	3.0
Total Other Income (Expense)	246,444	11.0	66,485	3.3
Income Before Income Taxes	377,460	16.8	163,715	8.0
Income Tax Expense	(113,697)	(5.1)	(27,128)	(1.3)
Net Income	$ 263,763	11.8	$ 136,587	6.7
Retained Earnings, Beginning of Period	1,590,056		1,453,469	
Retained Earnings, End of Period	$ 1,853,819		$ 1,590,056	

See accompanying notes to financial statements.

Intermountain Disposal
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Net Income	$ 263,763	$ 136,587
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	232,050	186,506
Deferred income taxes	50,028	(10,107)
(Gain) loss on asset dispositions	(159,228)	(61,417)
Changes in operating assets and liabilities		
Accounts receivable, net	(40,768)	50,375
Prepaid expenses	(18,378)	(13,212)
Prepaid income taxes	-	5,011
Accounts payable	(17,237)	(13,254)
Income taxes payable/prepaid	(12,299)	(18,134)
Accrued liabilities	32,994	16,431
Customer deposits	15,950	12,530
Net Cash Provided by Operating Activities	346,875	291,316
Cash Flows from Investing Activities		
Capital expenditures	(466,357)	(112,613)
Proceeds from asset dispositions	174,850	-
Net Cash Used by Investing Activities	(291,507)	(112,613)
Cash Flows from Financing Activities		
Due to/from related party	61,707	(33,382)
Net Cash Provided/(Used) by Financing Activities	61,707	(33,382)
Net Change in Cash	117,075	145,321
Cash and cash equivalents, Beginning of Year	1,087,111	941,790
Cash and cash equivalents, End of Year	$ 1,204,186	$ 1,087,111
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for		
Income taxes	$ 125,996	$ 40,251
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Capital equipment exchanged	$ -	$ 70,000

See accompanying notes to financial statements.

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. 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

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. Other receivables 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.

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. Revenue is recognized as the services are provided.

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. Revenues are recognized as the material is received.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Leases

The Company leases property and equipment in the ordinary course of business under various lease agreements. Commencing January 1, 2022, the Company accounts for leases in accordance with FASB ASC 842, *Leases*. Leases are classified as either operating leases or finance leases, as appropriate. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that are considered by management in determining minimum lease payments. The lease terms include options to renew the lease when it is reasonably certain that management will exercise the option.

Certain leases require payments that are variable in nature, such as excess mileage charges on a truck lease. In addition, certain rental payments may be adjusted annually based on changes in an underlying base index such as a consumer price index. If applicable, variable lease payments are recognized in the statements of income in the period 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, 2022 and 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 years ended December 31, 2022 and 2021. The corporate executive officer's salary allocated to Intermountain Disposal was $95,295 and $88,374 for the years ended December 31, 2022 and 2021, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The corporate financial officer's salary allocated to Intermountain Disposal was $97,866 and $91,438 for the years ended December 31, 2022 and 2021, respectively.

Recent Accounting Pronouncements

Adopted –

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 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 was adopted by the Company on January 1, 2022. 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 adopted the new standard on January 1, 2022 using the effective date as the date of initial application. Consequently, the comparative financial information has not been updated to be comparative, does not recast its comparative period's opening balance and the disclosures required under the new standard are not provided for dates and periods before January 1, 2022.

The new standard provides a number of optional practical expedients in transition. The Company elected 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 did not 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 elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company does 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 elected the practical expedient to not separate lease and non-lease components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Upcoming –

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, 2022. The Company is assessing the provisions of this amended guidance and evaluating the impact on its financial statements.

3. RELATED PARTY TRANSACTIONS

Tipping Fees

Related party revenue includes tipping fees charged to other divisions. For the years ended December 31, 2022 and 2021, tipping fees charged to Portola Disposal were $139,492 and $132,054, respectively. For the years ended December 31, 2022 and 2021, tipping fees charged to Sierra Disposal were $24,046 and $11,074, 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, 2022 and 2021, equipment rental expense charged to the Company by Sierra Disposal was $10,157 and $9,719, respectively.

Due From (To) Related Parties

The following amounts were due from or due to related parties at December 31:

	2022	2021
Due from Sierra Disposal	$ 2,809	$ 38,515
Due from City of Portola Disposal	-	21,877
Due from stockholders	273	-
Due from related parties	$ 3,082	$ 60,392
Due to City of Portola Disposal	$ (4,397)	$ -
Due to related parties	$ (4,397)	$ -

Such amounts were recorded as due from or due to related parties. For the years ended December 31, 2022 and 2021, no amounts of income taxes were paid by the Company for other divisions and no amounts were paid by other divisions for the Company.

3. RELATED PARTY TRANSACTIONS – (CONTINUED)

Building Rent

The Company rents their operating facilities and office space from the stockholders (Note 7). Total building rent was $69,102 and $69,102 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, 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.

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, 2022 and 2021, the Company had approximately $498,562 and $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.

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, 2022, the Company is not aware of any such environmental liabilities.

5. COMMITMENTS AND CONTINGENCIES – (CONTINUED)

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. As of December 31, 2022, the Company is not aware of any such additional unanticipated costs.

COVID-19 Pandemic

The impact of the COVID-19 pandemic on the Company's business, results of operations, financial condition and cash flows in future periods will depend largely on future developments, including the duration and spread of the outbreak in the U.S., the rate of vaccinations, the severity of COVID-19 variants, the actions to contain such coronavirus variants, and how quickly and to what extent normal economic and operating conditions can resume.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Vehicles	$ 2,055,418	$ 1,878,357
Disposal equipment	691,463	653,367
Office furniture	33,471	33,471
Leasehold improvements	99,341	99,341
Software	6,909	6,909
Property and equipment	2,886,602	2,671,445
Less: accumulated depreciatior	2,051,891	2,055,419
Property and equipment, net	$ 834,711	$ 616,026

7. LEASES

The Company adopted the new lease standard on January 1, 2022, as discussed in NOTE 2 using a modified retrospective approach as the date of initial application. Consequently, the comparative financial information has not been updated to be comparative, does not recast its comparative period's opening balance, and the disclosures required under the new standard do not provide for dates and periods before January 1, 2022.

7. LEASES – (CONTINUED)

The Company has a long-term operating lease with the stockholders, for occupancy of their facility and office space through March 2027. The Company also rents facilities from the County of Plumas under its franchise agreement through March 2027. Additionally, the Company leases a vehicle under an operating lease agreement expiring in June 2024.

The Company rents other equipment under short-term agreements.

Key estimates and judgements include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments. The lease guidance requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, the standard allows non-public companies to use risk-free rates.

The lease term for the Company's leases includes the noncancelable period of the lease, plus any additional periods covered by either the Company's option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

The lease payments included in the measurement of the lease liability comprise fixed payments or variable lease payments. The variable lease payments take into account annual changes in the consumer price index and common area maintenance charges, if applicable.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company has elected to apply the short-term lease recognition and measurement exemption allowed for in the lease accounting standard. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items on Intermountain Disposal's balance sheet which include amounts for operating leases as of December 31, 2022.

	2022
Operating lease right-of-use assets	$ 340,545
Current portion of operating lease liabilities	85,208
Long-term portion of operating lease liabilities	255,337
Total operating lease liabilities	$ 340,545

7. LEASES – (CONTINUED)

The components of operating lease costs that are included in the Company's statement of income for the year ended December 31, 2022 were as follows:

	2022
Lease expenses:	
Operating lease expense	$ 90,077
Short-term lease expense	29,726
Variable lease expense	-
Total lease expense	$ 119,803

Supplemental cash flow information and non-cash activity related to the Company's leases for the year ended December 31, 2022.

	2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 90,077
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 424,119

Weighted-average remaining lease term and discount rate for the Company's leases as of December 31, 2022.

	2022
Weighted-average remaining lease term in years for operating leases	4.12
Weighted-average discount rate for operating leases	1.68%

The maturities of operating lease liability as of December 31, 2022, are as follows:

	Operating Leases
2023	$ 90,077
2024	84,390
2025	78,702
2026	78,702
2027	19,676
Thereafter	-
Total undiscounted cash flows	351,547
Less: present value discount	(11,002)
Total lease liabilities	$ 340,545

8. TIPPING FEES

Tipping fees earned from Sierra County Public Works for the years ended December 31, 2022 and 2021 were $159,155 and $138,382, respectively.

9. RETIREMENT PLAN

Intermountain Disposal, Inc. has a profit-sharing plan covering all eligible employees. Under the plan, the corporation may contribute a discretionary amount designated by management to the extent permissible under the Internal Revenue Code. The total contribution for the year ended December 31, 2022 was $201,805, and the portion allocated to the Company was $126,994. The total contribution for the year ended December 31, 2021 was $154,302, and the portion allocated to the Company was $98,913.

10. INCOME TAXES

Deferred Income Taxes

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

	2022	2021
Deferred tax liabilities		
Net cash basis	$ (4,416)	$ 11,171
Property and equipment	(175,786)	(141,345)
Total deferred income tax liability	$ (180,202)	$ (130,174)

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

	2022	2021
Deferred tax liabilities		
Net cash basis		
Federal	$ (3,108)	$ 7,862
State	(1,308)	3,309
Property and equipment		
Federal	(157,274)	(124,981)
State	(18,512)	(16,364)
Total deferred income tax liability	$ (180,202)	$ (130,174)

10. INCOME TAXES – (CONTINUED)

Income Tax Provision

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

	2022	2021
Current income tax expense		
Federal	$ 34,837	$ 24,150
State	28,832	13,085
Deferred income tax expense		
Federal	43,263	(11,580)
State	6,765	1,473
Total income tax expense	$ 113,697	$ 27,128

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.

11. 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, 2022 through the date of issuance.