Intermountain Disposal

(A division of Intermountain Disposal, Inc.)

Financial Statements

December 31, 2024 and 2023

Intermountain Disposal
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December 31, 2024 and 2023

VT Accounting Associates, LLP
Certified Public Accountants

Jeff Vathayanon, 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 California C Corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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 3, 2025

Intermountain Disposal
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,247,175	$ 1,124,990
Accounts receivable, net of allowance of $2,230 and $3,270	115,615	138,638
Inventory	12,960	-
Prepaid expenses	21,829	98,434
Due from related parties	70,080	35,089
Total Current Assets	1,467,659	1,397,151
Non-Current Assets		
Property and equipment, net	789,970	804,290
Insurance collateral	12,027	-
Feasibility study	156,535	156,535
Operating lease right-of-use assets	230,903	303,417
Total Non-Current Assets	1,189,435	1,264,242
Total Assets	$ 2,657,094	$ 2,661,393
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 142,579	$ 54,320
Accrued liabilities	153,928	167,601
Due to related parties	69,126	-
Customer deposits	149,045	140,231
Current portion of operating lease liabilities	109,753	101,860
Total Current Liabilities	624,431	464,012
Long-term Liabilities		
Long-term portion of operating lease liabilities	121,150	201,557
Deferred income taxes	104,727	152,515
Total Long-term Liabilities	225,877	354,072
Total Liabilities	850,308	818,084
Stockholders' Equity		
Capital stock, no par value, 2,500 shares authorized, 1,000 shares issued and outstanding	47,610	47,610
Retained earnings	1,759,176	1,795,699
Total Stockholders' Equity	1,806,786	1,843,309
Total Liabilities and Stockholders' Equity	$ 2,657,094	$ 2,661,393

See accompanying notes to financial statements.

Intermountain Disposal
Statements of Operations and Retained Earnings
For the Years Ended December 31, 2024 and 2023

	2024		2023	
	Amount	Percent	Amount	Percent
Revenue				
Commercial	$ 910,158	35.6	$ 748,408	30.5
Residential	546,974	21.4	529,466	21.6
Transfer station	425,855	16.6	407,611	16.6
Roll-off containers	207,472	8.1	320,223	13.1
Tipping fees	178,364	7.0	167,285	6.8
Tipping fees - related party	156,746	6.1	164,501	6.7
Special service	44,908	1.8	60,985	2.5
Green waste program	44,978	1.8	25,682	1.1
Recycling	44,995	1.8	28,868	1.2
Total Revenue	2,560,450	100.0	2,453,029	100.0
Operating Expenses				
Labor				
Payroll - route	426,046	16.6	389,101	15.9
Payroll - office	110,257	4.3	109,167	4.5
Payroll - company executive officer	110,300	4.3	105,833	4.3
Payroll - transfer station	136,904	5.4	98,799	4.0
Payroll - taxes	64,712	2.5	56,626	2.3
Retirement plan contribution	121,303	4.7	154,794	6.3
Workers' compensation insurance	60,346	2.4	31,226	1.3
Employee benefits	43,037	1.7	33,740	1.4
Total Labor	1,072,905	41.9	979,286	39.9
Diesel Fuel				
Diesel fuel	151,611	5.9	197,752	8.1
Total Diesel Fuel	151,611	5.9	197,752	8.1
Vehicle Replacement				
Depreciation - vehicles	243,809	9.5	199,910	8.2
Equipment rent	37,643	1.5	33,268	1.4
Total Vehicle Replacement	281,452	11.0	233,178	9.5
Vehicle Maintenance				
Vehicle maintenance	66,176	2.6	73,044	3.0
Tires	40,798	1.6	34,803	1.4
Total Vehicle Maintenance	106,974	4.2	107,847	4.4
Disposal				
Dump fees	309,685	12.1	317,763	13.0
Franchise fees	172,288	6.7	170,336	6.9
Hazardous waste	17,602	0.7	33,183	1.4
Transfer station rental	9,600	0.4	9,600	0.4
Commingled material fees	-	-	2,040	0.1
Total Disposal	509,175	19.9	532,922	21.7

See accompanying notes to financial statements.

Intermountain Disposal
Statements of Operations and Retained Earnings
For the Years Ended December 31, 2024 and 2023

	2024		2023	
	Amount	Percent	Amount	Percent
All Other				
Building rent - related party	72,017	2.8	71,288	2.9
Accounting	79,259	3.1	114,668	4.7
Insurance	127,283	5.0	108,293	4.4
Business taxes, licenses and fees	34,745	1.4	44,188	1.8
Operating and office supplies	50,146	2.0	39,766	1.6
Depreciation - equipment	34,244	1.3	28,301	1.2
Telephone and internet	10,632	0.4	16,305	0.7
Utilities	17,111	0.7	13,385	0.6
Equipment maintenance	734	0.0	6,437	0.3
Equipment rental - related party	12,498	0.5	12,554	0.5
Computer support	13,909	0.5	13,550	0.6
Fuel, oil and lubricants	17,049	0.7	16,306	0.7
Depreciation - leasehold improvements	3,767	0.2	3,098	0.1
General maintenance	12,713	0.5	15,913	0.7
Association dues	3,546	0.1	1,717	0.1
Credit losses	2,708	0.1	4,230	0.2
Travel and entertainment	10,869	0.4	3,655	0.2
Advertising and promotion	432	0.0	173	0.0
Legal	998	0.0	1,357	0.1
Charitable contributions	600	0.0	1,260	0.1
Total All Other	505,260	19.8	516,444	21.0
Total Operating Expenses	2,627,377	102.6	2,567,429	104.6
Operating Loss	(66,927)	(2.6)	(114,400)	(4.6)
Other Income (Expense)				
Interest income	2,730	0.1	3,594	0.2
Refunds	13,532	0.5	10,632	0.4
Other income/(expense)	1,362	0.1	6,090	0.3
Total Other Income (Expense)	17,624	0.7	20,316	0.8
Loss Before Income Taxes	(49,303)	(1.9)	(94,084)	(3.8)
Income Tax Benefit	12,780	0.5	35,964	1.5
Net Loss	$ (36,523)	(1.4)	$ (58,120)	(2.3)
Retained Earnings, Beginning of Period	1,795,699		1,853,819	
Retained Earnings, End of Period	$ 1,759,176		$ 1,795,699	

Intermountain Disposal
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Net Loss	$ (36,523)	$ (58,120)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	281,820	231,309
Deferred income taxes	(47,788)	(27,687)
Allowance for credit losses	(1,040)	252
Changes in operating assets and liabilities		
Accounts receivable, net	24,063	(700)
Inventory	(12,960)	-
Prepaid expenses	57,909	(4,870)
Insurance collateral	(12,027)	-
Accounts payable	88,260	6,406
Income taxes payable/prepaid	31,834	(18,696)
Accrued liabilities	(26,811)	21,603
Customer deposits	8,814	8,599
Net Cash Provided by Operating Activities	355,551	158,096
Cash Flows from Investing Activities		
Capital expenditures	(267,501)	(219,827)
Proceeds/refunds from asset dispositions	-	18,939
Net Cash Used by Investing Activities	(267,501)	(200,888)
Cash Flows from Financing Activities		
Due to/from related parties	34,135	(36,404)
Net Cash Provided/(Used) by Financing Activities	34,135	(36,404)
Net Change in Cash	122,185	(79,196)
Cash and cash equivalents, Beginning of Year	1,124,990	1,204,186
Cash and cash equivalents, End of Year	$ 1,247,175	$ 1,124,990

Supplemental Disclosure of Cash Flow Information

	2024	2023
Cash paid during the period for		
Income taxes	$ 2,276	$ 22,070

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 and Allowance for Credit Losses

Accounts receivable are recorded when billed and represent claims against third parties that will generally be settled in cash. The Company carries its accounts receivable at their face amount less an allowance for credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Effective January 1, 2023, the Company adopted new accounting guidance that significantly changes the impairment model for estimating credit losses on financial assets to a current expected credit losses ("CECL") model that requires entities to estimate the lifetime expected credit losses on such assets, leading to earlier recognition of such losses. Under the new guidance, the Company is required to measure expected credit losses using forward-looking information to assess its allowance for credit losses. The guidance also requires the Company to consider of a broader range of reasonable and supportable information in estimating credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Effective January 1, 2023, the adoption of CECL accounting, through a modified-retrospective approach, caused an increase to the allowance for credit losses of approximately $512.

The Company is exposed to credit losses primarily through customer receivables generated from the collection, transfer, and disposal of solid waste. The Company establishes an allowance for credit losses based on historical collection trends; specific customer circumstances; type of customer, such as residential or commercial; the age of outstanding receivables; past write-off history; and current as well as expected future economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when internal collection efforts have been unsuccessful. As of December 31, 2024 and 2023, the Company has an allowance for credit losses on its trade accounts receivable of $2,230 and $3,270.

Trade accounts receivable consists of $115,615, $138,638, and $138,190 as of December 31, 2024, 2023, and 2022, respectively.

Inventory

The Company records inventory, which consists of recyclable products that have been baled and are ready to go to market. Inventory is valued at market price which may be lower or higher than cost in accordance with FASB ASC 310-10-35-16, *Inventory*, which states inventories may be reflected at selling prices when 1) units are interchangeable, 2) units have an immediate marketability at quoted prices and 3) costs may be difficult to obtain.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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, 2024 and 2023, 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 65% - 66% to Intermountain Disposal, 17% - 19% to Sierra Disposal, and 15% - 18% to City of Portola Disposal based on their relative total revenues for the years ended December 31, 2024 and 2023. The corporate executive officer's salary allocated to Intermountain Disposal was $110,300 and $105,833 for the years ended December 31, 2024 and 2023, respectively.

The corporate financial officer's salary allocated to Intermountain Disposal was $110,257 and $109,167 for the years ended December 31, 2024 and 2023, respectively.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2024 and 2023 were $432 and $173, respectively.

Recent Accounting Pronouncements

Adopted –

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 standard was effective for nonpublic entities for years and interim periods beginning after December 15, 2022. The Company adopted this standard effective January 1, 2023 using a modified retrospective approach. The comparative periods have not been restated and continue to be reported under the accounting standard in effect for those periods. The new credit losses standard amends the impairment model to use a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements for the year ended December 31, 2023, and it did not recognize a cumulative effect adjustment to retained earnings as of January 1, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Upcoming –

ASU 2023-09-Income Taxes – In December 2023, the FASB issued ASU 2023-09 on improvements to income tax disclosures. The standard requires all entities to disclose annually income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. The standard applies to all entities subject to income taxes. The new requirements will be effective for nonpublic entities for annual periods beginning after December 15, 2025. 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, 2024 and 2023, tipping fees charged to Portola Disposal were $130,598 and $150,777, respectively. For the years ended December 31, 2024 and 2023, tipping fees charged to Sierra Disposal were $26,148 and $13,724, 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, 2024 and 2023, equipment rental expense charged to the Company by Sierra Disposal was $12,498 and $12,554, respectively.

Due From (To) Related Parties

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

	2024	2023
Due from Sierra Disposal	$ 23,899	$ 19,862
Due from City of Portola Disposal	46,181	14,954
Due from stockholders	-	273
Due from related parties	$ 70,080	$ 35,089
Due to stockholders	$ 69,126	$ -
Due to related parties	$ 69,126	$ -

Such amounts were recorded as due from or due to related parties. For the years ended December 31, 2024 and 2023, 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 $72,017 and $71,288 for the years ended December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, no amounts of rent were due to the stockholders.

Due to Stockholders

The Stockholders advanced the Company $150,000 in April 2024. The advance is considered short-term and bears no interest. Of the total, $75,000 was paid back in October 2024 with the remaining $75,000 due at December 31, 2024. The final payment was made in January 2025. The balance as of December 31, 2024 is offset with $5,874 due from the stockholders for reimbursement of expenses.

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, 2024 and 2023, the Company had approximately $671,473 and $563,777 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.

5. COMMITMENTS AND CONTINGENCIES – (CONTINUED)

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, 2024, 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. As of December 31, 2024, the Company is not aware of any such additional unanticipated costs.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2024	2023
Vehicles	$ 2,301,258	$ 2,136,478
Disposal equipment	882,858	780,138
Office furniture	33,471	33,471
Leasehold improvements	130,495	130,495
Software	2,263	6,909
Total	3,350,345	3,087,491
Less: accumulated depreciation	(2,560,375)	(2,283,201)
Property and equipment, net	$ 789,970	$ 804,290

Included in property and equipment at December 31, 2023 is $149,303 for a vehicle deposit, not yet placed in service.

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.

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 vehicles under operating lease agreements expiring between March 2026 and July 2027. 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 sheets which include amounts for operating leases as of December 31, 2024 and 2023.

	2024	2023
Operating lease right-of-use assets	$ 230,903	$ 303,417
Current portion of operating lease liabilities	109,753	101,860
Long-term portion of operating lease liabilities	121,150	201,557
Total operating lease liabilities	$ 230,903	$ 303,417

7. LEASES – (CONTINUED)

The components of operating lease costs that are included in the Company's statement of income for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Lease expenses:		
Operating lease expense	$ 113,123	$ 109,147
Short-term lease expense	12,498	17,563
Variable lease expense	6,137	-
Total lease expense	$ 131,758	$ 126,710

Supplemental cash flow information and non-cash activity related to the Company's leases for the years ended December 31, 2024 and 2023.

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 112,086	$ 105,086
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 33,762	$ 61,097

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

	2024	2023
Weighted-average remaining lease term in years for operating leases	2.16	3.04
Weighted-average discount rate for operating leases	2.36%	2.12%

The maturities of operating lease liability as of December 31, 2024, are as follows:

	Operating Leases
2025	$ 113,656
2026	96,771
2027	25,896
Thereafter	-
Total undiscounted cash flows	236,323
Less: present value discount	(5,420)
Total lease liabilities	$ 230,903

8. TIPPING FEES

Tipping fees earned from Sierra County Public Works for the years ended December 31, 2024 and 2023 were $178,364 and $167,285, 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, 2024 was $176,657, and the portion allocated to the Company was $121,303. The total contribution for the year ended December 31, 2023 was $229,287, and the portion allocated to the Company was $154,794.

10. INCOME TAXES

Deferred Income Taxes

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

	2024	2023
Deferred tax liabilities		
Net cash basis	$ 70,829	$ (2,133)
Property and equipment	(175,556)	(150,382)
Total deferred income tax liability	$ (104,727)	$ (152,515)

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

	2024	2023
Deferred tax liabilities		
Net cash basis		
Federal	$ 49,846	$ (1,501)
State	20,983	(632)
Property and equipment		
Federal	(160,850)	(132,206)
State	(14,706)	(18,176)
Total deferred income tax liability	$ (104,727)	$ (152,515)

10. INCOME TAXES – (CONTINUED)

Income Tax Provision

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

	2024	2023
Current income tax expense/(benefit)		
Federal	$ 13,773	$ 2,879
State	21,235	(11,156)
Deferred income tax expense/(benefit)		
Federal	(22,703)	(26,675)
State	(25,085)	(1,012)
Total income tax expense/(benefit)	$ (12,780)	$ (35,964)

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, 2024 through the date of issuance.