



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

Meeting Agenda Special Meetings

Wednesday, April 7, 2021

2:30 PM

Via Video Conference

Caspar Transfer Station Coordinating Committee

MEETING CALLED TO ORDER

ROLL CALL

WEBEX WEBINAR INVITATION

Join from the meeting link

<https://meethdr.webex.com/meethdr/j.php?MTID=mbafec070acf4138a1c910f59c1d170fd>

Join by meeting number

Meeting number (access code): 187 081 7929 Meeting password: PpbSnnH5g32

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TO SPEAK DURING PUBLIC COMMENT PORTIONS OF THE AGENDA VIA WEBEX, PLEASE JOIN THE MEETING AND USE THE RAISE HAND FEATURE WHEN THE CHAIR CALLS FOR PUBLIC COMMENT.

1. CONDUCT OF BUSINESS

1A. [21-147](#) SWOW Rate Adjustment Request for Caspar Transfer Station

Attachments: [Caspar Transfer Station Coordinating Committee Agenda 04072021](#)

[04072021 Cmte Rpt](#)

[2019 Financials Caspar](#)

[Annual Financial Report 2017 2018](#)

[Caspar Transfer Station JCC Meeting 4-7-21](#)

ADJOURNMENT

STATE OF CALIFORNIA)
)ss.
COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this agenda to be posted in the City Hall notice case on April 5, 2021.

June Lemos, CMC
City Clerk

NOTICE TO THE PUBLIC

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- *Such documents are also available on the City of Fort Bragg’s website at <http://city.fortbragg.com> subject to staff’s ability to post the documents before the meeting*

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Text File

File Number: 21-147

Agenda Date: 4/7/2021

Version: 1

Status: Business

In Control: Special Meetings

File Type: Report

Agenda Number: 1A.

SWOW Rate Adjustment Request for Caspar Transfer Station



County of Mendocino

Meeting Agenda

Special Meetings

Wednesday, April 7, 2020

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Via Video Conference

Caspar Transfer Station Coordinating Committee

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1. CONDUCT OF BUSINESS

1A. SWOW rate adjustment request for Caspar Transfer Station

ADJOURNMENT



CITY OF FORT BRAGG

416 N. FRANKLIN, FORT BRAGG, CA 95437
PHONE 707/961-2823 FAX 707/961-2802

JOINT COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: APRIL 7, 2021
TO: CASPER TRANSFER STATION JOINT COORDINATING COMMITTEE
FROM: TOM Z. VARGA, STAFF
AGENDA ITEM TITLE: SWOW RATE ADJUSTMENT REQUEST FOR CASPAR TRANSFER STATION

BACKGROUND AND OVERVIEW:

The Caspar Transfer Station Joint Coordinating Committee (Joint Committee) has received a proposal from Mr. Jerry Ward of Solid Waste of Willits (SWOW) to increase the solid waste disposal rate by \$0.96 per cubic yard (CY). At its meeting of March 25th, the Joint Committee asked staff to work with Mr. Ward to provide additional detail and background better describing the need for this rate increase.

ANALYSIS:

During the Joint Committee's March 25th meeting, Mr. Ward briefly reviewed the history of the Caspar Transfer Station with special attention paid to the uncertainty of its future fate as the Central Coast Solid Waste Transfer Station. The City of Fort Bragg and Mendocino County have for many years been considering moving the Central Coast Transfer Station to a different location. His note dated March 31, 2021 (attached) provides greater detail. Because of this uncertainty, various site improvements have been delayed because it was unclear if the Caspar Transfer Station site would continue to be the long term Central Coast Solid Waste Transfer Station. Long-term, capital improvements would not be economically appropriate if the transfer station location was to be imminently moved. During the meeting two conceptual phases of improvements were discussed. The first is to expend priority funding that will allow the transfer station to continue operating while the question of the location of long-term operations is resolved. The second phase would be improvements to the Caspar site should it become the long-term transfer station location. A preliminary estimate of \$400,000 to construct the necessary long-term site

improvements to the Caspar Transfer Station have been previously provided by Mr. Ward. However these improvements are not part of the short-term fix and are not part of the requested rate increase.

In comparing the 2017, 2018, and 2019 operating expenses for the Caspar Transfer Station, there has clearly seen a big drop in net income experienced. For his 2019 fiscal year, net income was only \$6,900 or about 0.7% of total revenue. It appears that the biggest increase in expense were due to: salaries, processing fees-recycle, contract transportation, insurance-workers' comp, disposal fees-solid waste, and disposal fees-wood waste. Preliminarily for 2020, Mr. Ward says that he is experiencing even higher transportation costs due to the on-going operational inefficiencies.

The calculation of the \$0.96/CY requested rate increase is can be found in Mr. Ward's note of March 31, 2021. On the 5th page is a section titled, "Operating the Site without the efficiency of using 'Possum Belly' trailers". The second set of calculations' "Using 115 cubic yard 'possum belly' trailers as Proposed" estimates the savings by switching to the "possum belly" trailers at about \$0.98/CY. The new "possum belly" trailers have not been purchased. Until, these savings can be implemented, Mr. Ward argues that he needs a rate increase of \$0.96/CY to cover the cost of the less efficient 50 CY boxes currently being used.

RECOMMENDATION:

The Joint Committee should review the documents provided by Mr. Ward and consider any input during the meeting to establish the appropriateness of Mr. Ward's requested \$0.96/CY rate increase.

ATTACHMENTS:

1. Annual Financial Reports for SWOW, 2017 and 2018
2. Note dated March 31, 2021 from Mr. Jerry Ward
3. 2019 Statements of Income and Operating Expenses for the Caspar Transfer Station

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Casper Transfer Station	
	2019	2018
Operating Revenue		
Recycling Sales	\$ 2,856	\$ 10,240
Recycling Fees	156,296	146,303
Gate Fees Self Haul	781,880	747,023
Total Revenue	941,033	903,566
Cost of Revenue	-	-
Gross Margin	941,033	903,566
Operating Expenses (Schedule Attached)	(927,526)	(808,920)
Operating Income	13,508	94,646
Other Income (Expense)		
Gain/(Loss) on Sale of Asset	(464)	(86)
Interest expense	(1,099)	(1,508)
Total Other Income (Expense)	(1,562)	(1,594)
Income before Provision for Taxes	11,945	93,053
Provision for Income Tax	(5,045)	(1,381)
Net Income	\$ 6,900	\$ 91,672

SOLID WASTES OF WILLITS, INC.
STATEMENT OF OPERATING EXPENSES BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		Casper Transfer Station	
		2019	2018
Operating Expenses			
Amortization		\$ 22	\$ 11
Bank Service Charge		1,949	2,186
Contract Transportation		159,242	143,860
Contributions		-	10
Depreciation		6,741	6,385
Dues and Subscriptions		573	290
Disposal Fees-Solid Waste		288,912	279,365
Disposal Fees-Woodwaste		24,168	17,102
Processing Fees-Recycle		33,408	9,732
Employee Welfare, Training, Recruitment		1,159	2,091
Employee Retirement		4,143	1,648
Equipment Leases		24,490	38,704
Insurance-Health		25,948	26,765
Insurance-Liability		2,669	864
Insurance-Workers' Comp.		19,754	7,842
Legal and Accounting		2,428	461
Office Expense		6,615	5,044
Officers' Life Insurance		952	977
Outside Services		4,993	5,237
Operating Supplies		1,787	2,483
Payroll Taxes		13,122	12,798
Promotional Expenses		335	306
Rent		67,033	67,323
Rentals		2,200	2,656
Repairs and maintenance - Building		1,463	18
Repairs and maintenance - Equipment		971	1,390
Salaries		206,058	152,221
Taxes and License			
	Licenses	574	220
	Permit Fees	3,288	3,288
	Property Taxes	90	78
Travel		1,696	1,656
Vehicle expense - Fuel		10,617	7,998
Vehicle expense - Repairs and maintenance		3,641	2,225
Utilities		6,484	5,685
Total Operating Expenses		<u>\$ 927,526</u>	<u>\$ 808,920</u>

**COUNTY TRANSFER STATION
2019 TOTALS**

	ALBION		BOONVILLE		LAYTONVILLE		POTTER VALLEY		SOUTH COAST		TOTAL	
	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE
REFUSE	2551.24	100660.60	2470.84	107165.94	3942.44	155349.55	1041.54	42623.55	4380.24	164852.45	14386.30	\$ 570,652.09
YARD WASTE	17.95	675.75	0.00	0.00	0.00	0.00	0.00	0.00	148.17	5683.50	166.12	\$ 6,359.25
WOOD WASTE	54.50	2043.75	0.00	0.00	0.00	0.00	0.00	0.00	80.94	3103.58	135.44	\$ 5,147.33
ANTI FREEZE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
BATTERIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
TIRES	28.00	159.50	22.00	115.00	44.00	252.50	61.00	444.00	101.00	606.00	256.00	\$ 1,577.00
APPLIANCES	3.00	65.75	0.00	0.00	0.00	0.00	0.00	0.00	1.50	34.25	4.50	\$ 100.00
PAINT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
ELECTRONICS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	\$ -
METAL	21.19	794.25	51.04	1947.75	108.60	2297.75	8.30	299.75	214.08	8342.35	403.21	\$ 13,681.85
TOTAL	2675.88	104399.60	2543.88	#####	4095.04	\$ 157,899.80	1110.84	\$ 43,367.30	4925.93	\$ 182,622.13	15351.57	\$ 597,517.52

REFUSE CUSTOMERS	5248	79	6072	70	7666	96	2641	33	4923	546	26550	824
RECYCLE CUSTOMERS												

	CASPAR		WESTPORT		COVELO		TOTAL		WILLITS		TOTAL	
	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARDS	REVENUE	YARD	REVENUE
REFUSE	22342.49	781880.38	139.99	6669.00	7819.46	218464.09	7959.45	\$ 225,133.09	47782.52	860890.59	92470.76	\$ 2,438,556.15
YARD WASTE	3905.02	70536.22	0.00	0.00	0.00	0.00	0.00	-	2708.60	26904.99	6779.74	\$ 103,800.46
WOOD WASTE	1317.70	23549.90	0.00	0.00	0.00	0.00	0.00	-	672.48	5369.50	2125.62	\$ 34,066.73
ANTI FREEZE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	67.00	101.00	67.00	\$ 101.00
BATTERIES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	\$ -
TIRES	920.00	5599.50	0.00	0.00	177.00	1099.25	177.00	\$ 1,099.25	803.00	7198.00	2156.00	\$ 15,473.75
APPLIANCES	1624.55	17998.24	0.00	0.00	0.00	0.00	0.00	-	1928.00	29752.50	3557.05	\$ 47,850.74
PAINT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	198.00	436.50	198.00	\$ 436.50
ELECTRONICS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	\$ -
METAL	1858.45	38612.46	0.00	0.00	155.38	4181.20	155.38	\$ 4,181.20	798.79	8767.50	3215.83	\$ 65,243.01
TOTAL	31968.21	\$ 938,176.70	139.99	\$ 6,669.00	8151.84	\$ 223,744.54	8291.83	\$ 230,413.54	54958.39	\$ 939,420.58	110570.00	\$ 2,705,528.34

REFUSE CUSTOMERS	19072	3833	544	0	7799	179	8343	179	34336	4716	88301	9552
RECYCLE CUSTOMERS												

SOLID WASTES OF WILLITS, INC. - LANDFILL REPORT

Willits Transfer Station

Year End 2019

DUMP TONNAGE (OUTBOUND)	TOTAL LOADS	TOTAL TONS SENT	TOTAL TONS RECEIVED	SURCHARGE	
POTRERO HILLS LANDFILL	1,570	33090.33	32873.93		\$5.00
Less: MRF Loads	549			(2,528)	\$164,369.67
UKIAH VALLEY T/S	170	804.19	804.19		\$ (12,641.57)
TOTALS	2,289	33,894.52	33,678.12		INCLUDED
					\$151,728.11
REFUSE COLLECTION TONNAGE - ALL SOURCES (Pre-Diversion)					
	TOTAL LOADS	TOTAL TONS ALL SITES	TOTAL TONS POTRERO		TOTAL TONS UKIAH
COLLECTION VEHICLES	6,764	6136.32	5348.81		787.51
ROLL-OFF VEHICLES	5,290	4805.24	4788.56		16.68
SELF-HAUL/COMM. BUILDING	2,481	9834.38	9834.38		
CASPAR T/S	336	3559.14	3559.14		
FT. BRAGG DISPOSAL	749	9343.05	9343.05		
LESS: DIVERSION	-	216.40	216.40		
TOTAL LOADS (Collection)	15,620	33,894.52	33,090.33		804.19
REFUSE COLLECTION TONNAGE - ALL SERVICE AREAS (Post-Diversion)					
		TOTAL TONS ALL SITES	TOTAL TONS POTRERO		TOTAL TONS UKIAH
CITY OF WILLITS-FRANCHISE		3664.95	3664.95		
NORTH COUNTY-FRANCHISE		3215.04	3215.04		
SOUTH COAST-FRANCHISE		202.95	202.95		
BROOKTRAILS-FRANCHISE		903.32	903.32		
ANDERSON VALLEY-FRANCHISE		1101.79	314.28		787.51
WILLITS T/S		7451.82	7451.82		
COVELO T/S		1192.41	1192.41		
WESTPORT T/S		38.88	38.88		
LAYTONVILLE T/S		596.66	596.66		
ALBION T/S		339.57	339.57		
BOONVILLE T/S		447.88	431.20		16.68
POTTER VALLEY T/S		190.42	190.42		0.00
SOUTH COAST T/S		139.82	139.82		
CASPAR T/S		3637.07	3637.07		
OTHER CONTRACTS		81.73	81.73		
FT. BRAGG DISPOSAL		10690.21	10690.21		
TOTAL		33,894.52	33,090.33	0.00	804.19
WILLITS T/S & FT. BRAGG DISPOSAL ALLOCATION					
WILLITS T/S - CITY OF WILLITS	25.48%		Total Tons 1,890.58		
WILLITS T/S - COUNTY OF MENDOCINO	74.52%		5,561.25		
	100.00%	TOTALS	7,451.82	7,451.82	
FB DISPOSAL - CITY OF FT. BRAGG	51.47%		5,498.79		
FB DISPOSAL - COUNTY OF MENDOCINO	48.53%		5,191.42		
	100.00%	TOTALS	10,690.21	10,690.21	
CASPAR T/S ALLOCATION					
CASPAR T/S - CITY OF FT. BRAGG	18.70%		Total Tons 677.78		
CASPAR T/S - COUNTY OF MENDOCINO	81.30%		2,959.28		
	100.00%	TOTALS	3,637.07	3,637.06	

SOLID WASTES OF WILLITS, INC. - VOLUME & REVENUE REPORT
2019

MATERIAL	TRANSFER STATIONS											
	ALBION T/S TONS	CASPAR T/S TONS	POTTER VALLEY T/S TONS	BOONVILLE T/S TONS	SOUTH COAST T/S TONS	LAYTONVILLE T/S TONS	ALBION T/S REV \$	CASPAR T/S REV \$	POTTER VALLEY T/S REV \$	BOONVILLE T/S REV \$	SOUTH COAST T/S REV \$	LAYTONVILLE T/S REV \$
ALUMINUM												
BROWN GLASS												
CARDBOARD		66.1										
CLEAR GLASS												
GREEN GLASS												
HDPE												
SCRAP METAL	0.0	199.3	5.0	18.5	59.6	10.1		249.40	942.40	3,388.60		603.00
MIX PAPER												
RIGID PLASTIC												
MIXED GLASS												
NON-FERROUS												
PETE PLASTIC												
USED MOTOR OIL							182.00	340.00	120.00	172.00		660.00
MATRRESS												
ELECTRONICS		0.0						1,701.80				
HANDLING FEES		0.0						2,150.48				
PROCESSING FEES												
INCENTIVE PAYMENTS												
BATTERIES												
Subtotal	0.0	265.4	5.0	18.5	59.6	10.1	182.00	4,174.28	1,062.40	3,560.60	10.1	1,263.00
YARD WASTE	0.0	517.6	0.0				675.75	70536.22	0.00	0.00	25.9	5683.50
WOOD WASTE		234.6	0.0				2043.75	23549.90	0.00	0.00	10.2	3103.58
ANTIFREEZE (gal)		0.0	0.0				0.00	0.00	0.00	0.00	0.0	0.00
TIRES (ea)	28.0	920.0	61.0	22.0	101.0	44.0	159.50	5599.50	115.00	606.00	44.0	252.50
APPLIANCES (ea)	3.0	1624.6	0.0	0.0	1.5	0.0	65.75	17998.24	0.00	34.25	0.0	0.00
PAINT (gal)		0.00						0.00	0.00	0.00		
ELECTRONICS												
SCRAP METAL (yds)	21.2	1858.5	8.3	51.0	214.1	108.6	794.25	38612.46	1947.75	8342.35	108.6	2297.75
CONTAINER RENTALS												
COMPOST												
DB RECYCLE FEES												
Subtotal	0.0	752.2	0.0	0.0	36.1	0.0	3,739.00	156,296.32	2,062.75	17,769.68	0.0	2,560.25
TOTAL	0.0	1017.6	5.0	18.5	95.7	10.1	3,921.00	160,470.60	3,125.15	21,330.28	10.1	3,813.25
COST OF REVENUE												
SS TONS/REVENUE	112.5	152.2	81.9	199.9	400.1	153.8						

SOLID WASTE TRANSFER STATIONS

Willits, Potter Valley, Boonville, Laytonville, Covelo,
South Coast, Westport, Caspar, & Albion

SOLID WASTE RECYCLING CENTERS

Willits, Laytonville, Anderson Valley,
Westport, & Gualala

Solid Waste Services
Solid Wastes of Willits, Inc.

P.O. Box 1425 • Willits, CA 95490

May 3, 2019

Carmel Angelo
County Executive Officer
County of Mendocino
3200 Taylor Drive
Ukiah, CA 95482

Re: Annual Financial Report

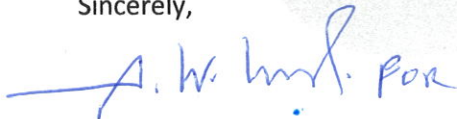
Dear Carmel,

Please find enclosed consolidated financial statements for Solid Wastes of Willits, Inc. for the years ending December 31, 2018 and 2017. The consolidated financial statements include the balance sheet, statement of income and retained earnings, statement of cash flows, and notes to the financial statements. Included in the financial statements under supplemental information is the statement of income for the various divisions.

Pursuant to Section 13 I of the franchise agreements, five (5) County Owned Transfer Station operation agreement & lease and the Caspar Transfer Station operation agreement & lease, Grantee shall provide an annual complied or reviewed financial statement prepared by a certified public accountant. In addition, the annual financial statement must include an income statement for each franchise area and transfer station operation agreement & lease. Please find enclosed statement of income by division for (1) three franchise agreements, (2) transfer station operation agreement & lease for five transfer stations, (3) transfer station operation agreement & lease for Caspar transfer station and (4) transfer station operation agreement for Willits transfer station for the years ending December 31, 2018 and 2017.

We certify, under penalty of perjury, that the reports submitted are true and correct to the best of our knowledge.

Sincerely,



Barbara Greenfield
Compliance Administrator

Enclosures

File: Contract Compliance Reports

SOLID WASTES OF WILLITS, INC.

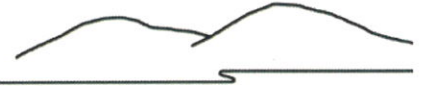
FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2018 & 2017



REVIEWED



April 30, 2019

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Solid Waste of Willits, Inc
Willits, CA 95490

To Gerald Ward:

We have reviewed the accompanying financial statements of Solid Waste of Willits, Inc(Corporation), which comprise the balance Sheet as of December 31, 2018, and the related income statement, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Supplementary Information

The supplementary information included in the table of contents is presented for purposes of general analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, conclusion, or provide any assurance on it.

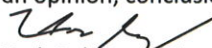

Zach Pehling, CPA

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SOLID WASTES OF WILLITS, INC.
BALANCE SHEET

	December 31,	
ASSETS	2018	2017
Current Assets:		
Cash and Equivalents	\$ 518,289	\$ 386,441
Restricted Cash	-	116,504
Investments at Cost	15,850	33,128
Accounts Receivable Trade, net	719,278	734,312
Other Receivables	8,337	13,421
Inventory Recyclables	156,677	145,848
Prepaid Expense and Refundable Income Tax	119,424	68,480
Deposits	105,287	47,452
Total Current Assets	1,643,141	1,545,588
Property and Equipment, Net	5,451,918	5,691,852
Other Assets, Net	821,633	867,742
Total Assets	\$ 7,916,692	\$ 8,105,181
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 295,562	\$ 377,295
Customers Deposits	129,714	117,409
Accrued Franchise Fees	124,687	113,951
Accrued Liabilities	224,167	226,051
Income Taxes	-	199,420
Short Term Notes and Other Accruals	316,242	333,860
Current Portion of Long Term Debt	351,429	723,325
Current Portion of Deferred Income Tax	45,000	45,000
Total Current Liabilities	1,486,801	2,136,311
Long Term Debt and Notes Payable	3,310,607	2,886,239
Deferred Income Tax	497,726	497,726
Total Liabilities	5,295,134	5,520,276
Stockholders Equity:		
Capital stock	45,899	45,899
Additional Paid in Capital	102,966	102,966
Retained Earnings	2,436,040	2,160,965
Net Income	36,652	275,075
Total Stockholders Equity	2,621,558	2,584,905
Total Liabilities and Stockholders Equity	\$ 7,916,692	\$ 8,105,181

See accompanying Notes and Independent Accountants Review Report

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME

	Years Ended December 31,			
	YTD 2018		YTD 2017	
	Amount	Percentage	Amount	Percentage
Operating Revenue				
Commercial	\$ 2,600,119	20.28%	\$ 2,289,122	15.98%
Residential	1,869,370	14.58%	1,741,538	12.16%
Industrial	809,367	6.31%	989,539	6.91%
Contract Hauls	-	0.00%	1,578,986	11.03%
Recycling Sales	2,409,979	18.79%	2,940,316	20.53%
Recycling Fees	267,795	2.09%	294,362	2.06%
Processing Fees	218,502	1.70%		
Gate Fees Self Haul	2,292,505	17.88%	2,216,984	15.48%
Gate Fees Commercial	2,219,882	17.31%	2,230,654	15.58%
Finance Charges	15,420	0.12%	14,090	0.10%
Miscellaneous	119,838	0.93%	24,961	0.17%
Total Revenue	12,822,777	100.00%	14,320,552	100.00%
Cost of Revenue	(739,567)	-5.77%	(863,955)	-6.03%
Gross Margin	12,083,210	94.23%	13,456,597	93.97%
Operating Expenses (Schedule Attached)	(11,732,570)	-91.50%	(12,887,477)	-89.99%
Operating Income	350,640	2.73%	569,120	3.97%
Other Income (Expense)				
Interest and Dividend Income	22,116	0.17%	18,436	0.13%
Gain/(Loss) on Sale of Asset	(67,777)	-0.53%	(124,952)	-0.87%
Interest Expense	(254,137)	-1.98%	(225,829)	-1.58%
Total Other Income (Expense)	(299,798)	-2.34%	(332,345)	-2.32%
Income before Provision for Taxes	50,842	0.40%	236,775	1.65%
Provision for Income Tax	(14,190)	-0.11%	38,300	0.27%
Net Income from Continuing Operations	36,652	0.51%	275,075	1.39%
Retained Earnings, January 1	2,436,041		2,160,965	
Retained Earnings, December 31	<u>\$ 2,472,693</u>		<u>\$ 2,436,041</u>	

See accompanying notes and independent accountants review report

SOLID WASTES OF WILLITS, INC.
SCHEDULE OF OPERATING EXPENSES

Operating Expenses	Years Ended December 31,			
	YTD 2018		YTD 2017	
Advertising	\$ 163	0.00%	\$ 352	0.00%
Amortization	91,882	0.78%	45,594	0.35%
Bad Debts	21,161	0.18%	17,268	0.13%
Bank Service Charges	51,466	0.44%	56,150	0.44%
Contract Transportation	332,820	2.84%	1,473,047	11.43%
Contributions	100	0.00%	0	0.00%
Depreciation	604,973	5.16%	781,706	6.07%
Dues and Subscriptions	3,526	0.03%	3,691	0.03%
Disposal Fees-Solid Waste	2,813,613	23.98%	3,467,708	26.91%
Disposal Fees-Woodwaste	55,027	0.47%	56,698	0.44%
Processing Fees-Recycle	218,502	1.86%		
Employee Recruitment, Welfare and Training	23,431	0.20%	10,670	0.08%
Employee Retirement	53,548	0.46%	40,428	0.31%
Equipment Leases	375,172	3.20%	419,859	3.26%
Franchise Fees	489,259	4.17%	457,246	3.55%
Insurance	835,291	7.12%	690,500	5.36%
Legal and Accounting	50,786	0.43%	61,271	0.48%
Office Expense	69,134	0.59%	52,410	0.41%
Officers' Life Insurance	10,064	0.09%	12,046	0.09%
Outside Services	168,143	1.43%	147,850	1.15%
Operating Supplies	127,579	1.09%	113,761	0.88%
Payroll Taxes	298,297	2.54%	276,921	2.15%
Promotional Expenses	3,476	0.03%	10,319	0.08%
Rent	142,601	1.22%	148,887	1.16%
Rentals	10,143	0.09%	17,810	0.14%
Repairs and Maintenance - Building	6,449	0.05%	8,962	0.07%
Repairs and Maintenance - Equipment	98,031	0.84%	60,866	0.47%
Salaries	3,375,068	28.77%	3,132,445	24.31%
Taxes and License	154,498	1.32%	171,479	1.33%
Travel	10,508	0.09%	7,349	0.06%
Vehicle Expense - Fuel	755,077	6.44%	612,160	4.75%
Vehicle Expense - Repairs and Maintenance	349,539	2.98%	406,786	3.16%
Utilities	133,244	1.14%	125,237	0.97%
Total Operating Expenses	\$ 11,732,570	100.00%	\$ 12,887,477	100.00%

See accompanying notes and independent accountants review report

SOLID WASTES OF WILLITS, INC.
STATEMENT OF CASH FLOW

Cash Flows From Operating Activities	Year Ended December 31, 2018
Net Income (loss)	\$ 36,652
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	604,973
Amortization	91,882
Disposal of Assets	113,823
Investments	17,279
Accounts Receivable-Trade	15,034
Inventories	(10,829)
Other Current Assets	(103,694)
Accounts Payable-Trade	(81,733)
Payroll and Related	27,829
Customer Deposits	12,305
Accrued Franchise Fees	10,736
Other Current Liabilities	(217,157)
Net Cash Provided by Operating Activities	517,101
Cash Flows From Investing Activities	
Purchase of Fixed Assets	(478,863)
Capitalized Cost of Loan	(23,256)
Due from Stockholder	(22,518)
Decrease in Stockholder's Life Insurance	-
Net Cash Used in Investing Activities	(524,636)
Cash Flows From Financing Activities	
Principal Payments on Financing	(4,099,225)
Proceeds from Issuance of Debt	4,122,103
Additional Paid in Capital	-
Net Cash provided (used) by Financing Activity	22,878
Net Increase (Decrease) in Cash & Cash Equivalents	15,344
Cash & Cash Equivalents - January 1	502,945
Cash & Cash Equivalents - December 31	518,289
Less: Restricted Cash	-
Cash & Cash Equivalents - December 31	\$ 518,289

SOLID WASTES OF WILLITS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017

Note 1 - Organization

Solid Wastes of Willits, Inc. (the Corporation) is a closely held California corporation incorporated on January 3, 1986.

The Corporation's business activities include collection, transfer, transportation, disposal, and recycling of garbage, refuse and rubbish from within the City of Willits (Willits Division), and the unincorporated area surrounding Willits, including the communities of Brooktrails, Laytonville, Leggett, Covelo, Anderson Valley, Gualala, Manchester and Elk (County Division). It also operates three (3) state certified recycling centers, a large volume waste transfer station in Willits, and eight (8) small volume waste transfer stations in Albion, Boonville, Caspar, Covelo, Laytonville, Potter Valley, South Coast, and Westport, California and holds contracts with Humboldt Waste Management Authority for the processing of single-stream recycling material and the transportation and disposal of solid waste from its member agencies. While the Corporation is a single legal entity, it operates under the DBA's of:

- Solid Waste Services
- Willits Solid Wastes
- Mendocino Solid Wastes
- Solid Waste Recycling Center
- Willits Solid Waste Transfer & Recycling Center
- Laytonville Solid Waste Transfer & Recycling Center
- South Coast Solid Waste Transfer & Recycling Center
- Boonville Transfer Station
- Albion Transfer Station
- Caspar Transfer Station
- Covelo Transfer Station
- Potter Valley Transfer Station
- Westport Transfer Station

Note 2 - Significant Accounting Policies

Basis of Accounting. The Corporation Balance Sheet, Statement of Income, Retained Earnings and Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place. Uncollectible accounts receivable are provided for by the direct write-off method. Accounts are written off to bad debts when determined to be uncollectible. Other receivables are shown at the anticipated recoverable amount, unless otherwise noted.

Property and Equipment. Property and equipment is stated at cost and is being depreciated by the straight-line method of accounting over estimated useful lives of three to forty years.

Expenditures for major additions and improvements which extend the life of the asset are capitalized whereas maintenance and repairs and small renewals are expensed as incurred. We assume no salvage value for depreciable property and equipment. 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 included in the Statement of Income and Retained Earnings.

Inventory. Inventories, principally recyclable materials from the Corporation's recycling centers and curbside recyclables are stated at current market value due to the difficulties of stating inventories at cost. Provisions for potentially obsolete or slow-moving inventory are made based on management's analysis of inventory levels and future sales forecasts.

Estimates and Assumptions. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Intangible Assets. Intangible assets consist of costs in bond issuance and covenants not-to-compete. Intangible assets are recorded at cost and are amortized on a straight-line basis over seven to fifteen years.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, and money market accounts. The Corporation considers all highly liquid investments with a maturity of three months or less to be cash equivalents and is included in Cash and Cash Equivalents. Cash and cash equivalents are maintained with various financial institutions.

Restricted Trust Accounts. Restricted trust accounts consist primarily of debt service funds held in trust to meet future principal and interest payments required under a Credit Agreement for term loans.

Funds are directly deposited into trust accounts and the Corporation does not have the ability to use the funds in regular operating activities. When debt matures or interest is accrued, proceeds from the trust account are used to pay the obligations. Debt payments from the account are included as a financing activity in the statement of cash flows. The Restricted Trust Account balance for future principal and interest payments at December 31, 2018 is \$0 and \$116,504 at December 31, 2017. The Restricted Trust Account is included in Restricted Cash.

Note 4 – Investments

The Corporation's investments include publicly traded equity securities. These investments are held in the custody of a major financial institution and are primarily carried at cost. The Corporation monitors these investments for impairment and makes appropriate reduction in carrying value if the Corporation determines that an impairment charge is required based primarily on the financial condition and near-term prospects of these companies. Investments at

December 31, 2018 is \$15,850 and \$33,128 at December 31, 2017. Investments are included in Current Assets.

Note 5 – Property, Plant and Equipment

	Beginning Balance 1/1/2018	Additions	Disposals	Ending Balance 12/31/2018
Land	\$ 684,550	-	-	\$ 684,550
Buildings and Improvements	6,447,046	70,006	-	6,517,054
Vehicles	2,717,075	328,086	440,590	2,604,571
Equipment	1,631,167	77,228	-	1,708,395
Furniture and Fixtures	47,349	3,542	-	50,891
Leasehold Improvements	586,207	-	-	586,207
Total Cost	12,113,394	478,862	440,590	12,151,668
Less: Accumulated Depreciation	(6,421,543)	-	-	(6,699,750)
Net Book Value	\$ 5,691,851	\$ 478,862	\$ 440,590	\$ 5,451,918

Depreciation expense of \$604,973 and \$781,706 were recorded as operating expense for the years ended December 31, 2018 and 2017, respectively.

Note 6 – Other Assets, Net of Amortization

Other Assets, net, consist of the following:

	Year Ended December 31,	
	2018	2017
Cost of Bond 2008A Issuance, net	-	63,346
Cost of Financing- Comerica, net	21,595	26,875
Deposits	1,000	1,000
Due from Stockholders	799,038	776,521
	\$ 821,633	\$ 867,742

Note 7 – Intangible Assets

Cost of Financing Comerica. Costs in financing for Comerica Bank to pay off the revenue Bonds 2008A and the refinancing of term loans into new term loans are being amortized using the straight-line method over a period of fifteen (15) years.

Amortization expense of \$91,882 and \$45,594 were recorded as operating expense for the years ended December 31, 2018 and 2017, respectively.

Note 8 – Long-term Debt and Notes Payable

	Year Ended December 31,	
	2018	2017
Current Notes Payable Obligations:		
Payable to Comerica Bank, 5.3% credit line payable in monthly installments of \$9,615 through September 2018. Secured by fixed assets of Corporation.	\$ -	\$ 250,000
Current portion of long-term debt	<u>351,429</u>	<u>723,325</u>
Total Current Notes Payable	<u>\$ 351,429</u>	<u>\$ 973,325</u>

Notes payable maturing after one year are classified as long-term liabilities. The Corporation is obligated for the following long-term notes payable obligations at December 31:

Long-term Notes Payable Obligations:

Payable to Comerica Bank, variable rate series 2008A bond at 3.05% payable in monthly installments of \$29,950 through September 2024. Secured by fixed assets of Corporation, Letter of Credit and personal guarantee.	-	2,395,000
Payable to US Bank, 6.7% note payable in monthly installments of \$2,080 through March 2019. Secured by fixed assets of Corporation and personal guarantee.	-	50,580
Payable to Advantage Funding, 5.75% to 6.09% note payable in aggregate monthly installments of \$5,957 through May 2021. Secured by fixed assets of Corporation and personal guarantee	-	205,894
Payable to Ascentium Capital, 9.43% to 13.43% note payable in aggregate monthly installments of \$2,420 through September 2019. Secured by fixed assets of Corporation and personal guarantee	-	45,402
Payable to People's United Equipment, 5.25% note payable in monthly installments of \$4,057 through October 2018. Secured by fixed assets of Corporation and personal guarantee	-	26,425
Payable to Priority Capital, 6.43% note payable in monthly installments of \$3,605 through May 2019. Secured by fixed assets of Corporation and personal guarantee	-	23,944
Payable to Comerica, 4.42% note payable in monthly installments of \$27,203 through September 2022. Secured by fixed assets of Corporation and personal guarantee.	3,662,036	862,319
Long-term Debt	\$ 3,662,036	\$ 3,609,564
Less: Current Portion of Long-term Debt	<u>(351,429)</u>	<u>(723,325)</u>
Total Long-term Debt	<u>\$ 3,310,607</u>	<u>\$ 2,886,239</u>
Total Debt	<u>\$ 3,662,036</u>	<u>\$ 3,859,564</u>

As of December 31, 2018, aggregate contractual future principal payments by calendar year on long-term debt are due as follows:

Year ending December 31,

2019	\$	351,429
2020		401,429
2021		426,429
2022		426,429
2023		426,429
2024-2028		1,629,893

Debt Covenants. The Corporation's Credit Agreement with Comerica Bank pertaining to Term Loans contains financial covenants. The following table summarizes the requirements of these financial covenants.

Covenant	Requirement Per Credit Agreement
Total Debt to EBITDA	< 3.50 to 1
Fixed Charge Coverage Ratio	> 1.15 to 1

The Corporation's Credit Agreement also contains certain restrictions intended to monitor the level of indebtedness, types of investments and net worth. Management monitors its compliance with these restrictions, but does not believe they significantly impact our ability to enter into investing or financing arrangements typical for our business.

Note 9 – Revenue Bonds and Irrevocable Direct Pay Letters of Credit

The Company qualified for participation and received approval from the California Pollution Control Financing Authority (CPCFA) to issue revenue bonds in an amount not to exceed \$3,870,000 to assist in the construction of a material processing facility (MPF) and the purchase of related equipment. On May 1, 2008, the Company requested issuance of tax-exempt bonds (2008A) in the amount of \$3,870,000 through the CPCFA. Comerica Bank agreed to secure the bonds through the issuance of a direct-pay irrevocable letter of credit, guaranteeing its payment through September, 2018.

On July 5, 2018, the Corporation entered into a new Credit Agreement with Comerica Bank whereas Comerica Bank paid off the revenue bonds issued by California Pollution Control Financing Authority in the amount of \$2,395,000, refinanced the revolving Line of Credit in the amount of \$250,000, refinanced the current Term A loan in the amount \$771,961 and entered into a new Term Loan A in the amount of \$3,416,961.

Guarantees. If the Corporation fails to meet its obligations associated with the new Term Loan A as it comes due, it will be required to perform under the related Credit Agreement. No liability has been recorded for these guarantees because the underlying obligations are reflected in the balance sheet. We currently believe it is not reasonably likely that the Corporation will be required to perform under these guarantee agreements or that any performance requirement will have a material impact on the consolidated financial statements.

Note 10 – Shareholders' Equity

Common Stock. The Corporation has authorized 100,000 shares of common stock without par value and as of December 31, 2018 there were 80,667 shares outstanding.

Additional Paid-in Capital and Retained Earnings. The Corporation reports \$102,966 in paid-in capital and \$2,472,693 in retained earnings.

Note 11 – Income Taxes

Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The Provisions for income tax expense as of December 31, 2018 and 2017 is:

	2018	2017
Current Tax		
Federal	\$ 13,390	\$ 71,700
Federal - Deferred		(132,000)
State	800	22,000
	\$ 14,190	\$ (38,300)
Deferred Tax		
Federal		131,146
State		(2,266)
		128,880
	\$ 14,190	\$ 90,580

The Company recorded a change of \$132,000 in its income tax provision due to the measurement of its deferred income tax position at the new corporate income tax rate of 21 percent. The Company has completed the accounting for the impact of the tax reform provisions as of December 31, 2017. The Company will continue to finalize its analysis of the Tax Cuts and Jobs Act of 2017, but it is not expected to have a material impact on the financial results. Long-term Deferred taxes, as of December 31, 2018 and 2017 are \$497,726 and \$497,726 respectively.

Note 12 - Refuse Collection Areas and Agreements

Franchise Agreement - City of Willits

The Corporation has an exclusive franchise agreement with the City of Willits extending through December 31, 2030, to collect, transfer, transport, recycle and dispose of all curbside refuse, curbside garbage, curbside rubbish and curbside recyclables from within the City limits. The franchise fee payable to the City of Willits is 12% of revenue received. For the period ended December 31, 2018 franchise fees payable to the City of Willits is \$38,702. Franchise fees are

due and payable 30 days after the close of each quarter. Franchise fee expense for City of Willits franchise for the year ended December 31, 2018 is \$151,492.

Franchise Agreement - Brooktrails Township

The Corporation has an exclusive franchise agreement with the Brooktrails Township Community Service District extending through May 31, 2031, to collect, transfer, transport, recycle and dispose of all curbside refuse, curbside garbage, curbside rubbish and curbside recyclables from within the corporate limits of the Township. The franchise fee payable to the Brooktrails Township is 7% of the revenue received. For the period ended December 31, 2018 franchise fees payable to Brooktrails Township is \$8,304. Franchise fees are due and payable 30 days after the close of each quarter. Franchise fee expense for Brooktrails Township franchise for the year ended December 31, 2018 is \$32,112

Franchise Agreement - County of Mendocino (North County)

The Corporation has an exclusive franchise agreement with the County of Mendocino extending through December 31, 2024, to collect, transfer, transport, dispose or use and recycle solid waste and recyclable materials in the area as defined in Mendocino County Code Chapter 9A, Solid Waste Refuse Collection Area No. One (1)-North County. The franchise fee payable to the County of Mendocino is 12% of revenue received. For the period ended December 31, 2018 franchise fees payable to County of Mendocino is \$34,608. Franchise fees are due and payable 30 days after the close of each quarter. Franchise fee expense for North County franchise for the year ended December 31, 2018 is \$139,758.

Franchise Agreement – County of Mendocino (Anderson Valley)

The Corporation has an exclusive franchise agreement with the County of Mendocino extending through December 31, 2024, to collect, transfer, transport, dispose or use and recycle solid waste and recyclable materials in the area as defined in Mendocino County Code Chapter 9A, Solid Waste Refuse Collection Area No. Three (3)-Anderson Valley. The franchise fee payable to the County of Mendocino is 12% of revenue received. For the period ended December 31, 2018 franchise fees payable to the County of Mendocino is \$15,792. Franchise fees are due and payable 30 days after the close of each quarter. Franchise fee expense for Anderson Valley franchise for the year ended December 31, 2018 is \$55,820.

Franchise Agreement – County of Mendocino (South Coast)

The Corporation has an exclusive franchise agreement with the County of Mendocino extending through December 31, 2029, to collect, transfer, transport, dispose or use and recycle solid waste and recyclable materials in the area as defined in Mendocino County Code Chapter 9A, Solid Waste Refuse Collection Area No. Four (4)-South Coast. The franchise fee payable to the County of Mendocino is 12% of revenue received. For the period ended December 31, 2018 franchise fees payable to the County of Mendocino is \$27,281. Franchise fees are due and payable 30 days after the close of each quarter. Franchise fee expense for South Coast franchise for the year ended December 31, 2018 is \$110,076.

Transfer Station Operations Agreements – County of Mendocino

The Corporation entered into a transfer station operations & lease agreement with the County of Mendocino extending through December 31, 2029 for the operation of five (5) County-owned solid waste transfer stations. The agreement provides the exclusive privilege, duty and right to operate and manage the transfer stations located at Albion, Boonville, Potter Valley, Laytonville and South Coast.

The Corporation entered into a transfer station operations & lease agreement with the County of Mendocino extending through June 30, 2021 for the operation of the Caspar solid waste transfer station. The agreement provides the exclusive privilege, duty and right to operate and manage the transfer station.

Recyclable Material Processing Agreement – Humboldt Waste Management Authority

The Corporation entered into a recyclable materials loading, transportation, processing and marketing services agreement with the Humboldt Waste Management Authority extending through September 5, 2018 for the processing of single-stream recyclable materials collected from member agencies located in the Cities of Eureka, Arcata, and the unincorporated areas of Humboldt County. The agreement expired on September 5, 2018.

Waste Flow Agreement – Cities of Willits, Fort Bragg and County of Mendocino

The Corporation has an exclusive waste flow agreement with the City of Willits, City of Fort Bragg, and the County of Mendocino for transfer station operations and solid waste transportation and disposal. Under the agreement waste generated within “North County” of the County of Mendocino and the corporate limits of the Cities of Willits and Fort Bragg are directed to the “large volume” transfer station owned and operated by the Corporation’s property located at 350 Franklin Avenue, Willits, California. The agreement for transfer station operations began December 1, 2000 and extending originally through December 3, 2015.

On September 1 2010, the Corporation and County of Mendocino entered into an option agreement for the continued use of transfer station operation and solid waste transportation and disposal. The option allows the County to enter into a new transfer station agreement beyond December 3, 2015 for waste flow generated in Solid Waste Refuse Collection Area No One (1)-North County and the unincorporated area surrounding the City of Fort Bragg. The term of the option is December 3, 2015 to February 23, 2030.

In October, 2014 the Corporation and the City of Fort Bragg entered into an option agreement for the continued use of transfer station operation and solid waste transportation and disposal. The option allows the City to enter into a new transfer station agreement beyond December 3, 2015 for waste flow generated within the corporate limits of the City of Fort Bragg. The term of the option is December 3, 2015 to December 3, 2024.

In November, 2015 the Corporation and the City of Willits entered into an option agreement for the continued use of transfer station operation and solid waste transportation and disposal. The

option allows the City to enter into a new transfer station agreement beyond December 3, 2015 for waste flow generated within the corporate limits of the City of Willits. The term of the option is December 3, 2015 to December 31, 2030.

Agreement for Landfill Disposal Services

The Corporation has an exclusive landfill disposal agreements at a favorable rate with Potrero Hills Landfill in Solano County, Suisun City, California for disposing waste from transfer station operations from current customers in Mendocino County and standby disposal rights for future customers in Mendocino and Lake Counties.

The agreement for landfill disposal from Mendocino and Lake County waste began July 1, 2014 and extends through June 30, 2029. The Company has the option to extend the agreements for one (1) successive ten (10) year term.

Note 13 – Related Party Transactions

Notes Receivables. There is a 4% demand note receivable from Gerald W. Ward. For the year ended December 31, 2018 Due from Stockholders was \$799,039 and \$776,521 at December 31, 2017 and is included in Other Assets.

Rental Agreement. The Corporation rents property for equipment storage at 310 & 320 Franklin Avenue from Gerald W. Ward. The Corporation is responsible for all maintenance, improvements and insurance costs. Rents charged are equivalent to those charged in an arm's length transaction. For the year ended December 31, 2018 the Corporation paid \$62,400 for rent and \$62,400 at December 31, 2017.

Note 14 – Employee Benefit Plans

Paid Personal Leave. Regular full time employees who have completed one year uninterrupted employment begin to accrue 40 hours of paid personal leave at their straight time rate of pay; 80 hours following completion of two years; 120 hours following completion of ten years; and 160 hours following completion of fifteen years. Accrued paid personal leave benefits are payable to the employee at termination. Accrued paid personal leave is determined at year-end only. For the year ended December 31, 2018, accrued paid personal leave for the Corporation was \$67,846.

Retirement. The Corporation has adopted a 401(k) Profit Sharing Plan. Under the plan, the Corporation makes a 2% of compensation "profit sharing style" contribution for all employees who have met the eligibility requirements to be in the plan. This contribution must be made for all eligible employees, even if they only work 1 hour in the year they are eligible and terminate employment. The contribution is also immediately 100% vested. An employee becomes eligible after six months of service and is at least 21 years of age. For the year ended December 31, 2018, the Corporation contributed 2.0% of the eligible employee compensation or \$53,548.

Health. The Corporation has two medical plans: A hospitalization plan to cover major medical occurrences and a health reimbursement account to cover qualified medical claims not covered by insurance. The health reimbursement account has a cap of \$1,000 for each employee and

their dependents. Employees with unused health reimbursement benefits at the end of the calendar year roll over to the following year. For the year ended December 31, 2018, total health insurance premiums and reimbursed health expenses were \$307,692.

Note 15 – Commitments and Contingencies

Equipment Leases. The Corporation has commitments under long-term operating lease agreements principally for containers, carts and other equipment. Lease terms generally cover periods from 36 months to 60 months. The following summarizes the future minimum lease payments under all noncancelable operating lease obligations. For the year ended December 31, 2018, equipment lease expense is \$375,172 and \$419,859 for December 31, 2017.

Financial Instruments. The Corporation has obtained letters of credit, performance bonds and insurance policies, and has established trust funds and issued financial guarantees to support tax-exempt bonds and other obligations. There has been no claims made against the financial instruments the Corporation uses to support its obligations and considering the current financial position, management does not expect any claims against or draws on these instruments in the coming year.

Insurance. The Corporation carries insurance in amounts it considers adequate. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the last three years.

Financial Surety Bond. The Corporation is bonded for its waste flow contract with the Cities of Willits and Fort Bragg and the County of Mendocino in the amount of \$100,000.

Note 16 – Subsequent Events

The corporation is required to report events or transactions that occur subsequent the date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosure therein. Up through the date of issuance of these financial statements, the company has appraised events and transactions that have occurred for possible recognition or disclosure. As of the date of these financial statements we have found no material subsequent events to report.

SUPPLEMENTAL INFORMATION

**SOLID WASTES OF WILLITS, INC.
DESCRIPTION OF DIVISIONAL ALLOCATION METHODS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Solid Wastes of Willits, Inc., a single legal entity, operates under ten (10) divisions. These divisions are listed below:

- City of Willits Franchise
- North County Franchise, includes subdivisions
 - Covelo Transfer Center,
 - Laytonville Recycling Center
 - Westport Solid Waste Transfer & Recycling Center
- Brooktrails Township Community Service District Franchise
- Anderson Valley Franchise, includes subdivision
- South Coast Franchise, includes subdivision
 - Gualala Recycle Center
- Material Processing Facility
- Willits Transfer Station, includes subdivisions
 - Commercial Transfer Station
 - Self-haul Transfer Station
 - Willits Recycle Center
- Other Operations, includes other trucking services
- County Transfer Stations, includes subdivisions
 - Albion Transfer Station
 - Boonville Transfer Station
 - Laytonville Transfer Station
 - Potter Valley Transfer Station
 - South Coast Transfer Station
- Casper Transfer Station.

Sales, and cost of sales, are credited directly to the division generating the revenue.

Operating expenses, which can be directly identified with a division, are charged to that division. Indirect expenses, which cannot be specifically identified with a division, are allocated among the 10 divisions and subdivisions using allocation factors described in the following pages. These allocation methods are employed to reflect a reasonable distribution of indirect expenses to the operating divisions of the Corporation.

Percent of Truck Hours

Vehicle hours are tracked by division and represented as a percentage of total truck hours.

Percentage of Truck Hour allocations are as follows:

<u>Division</u>	<u>Percentage</u>
City of Willits Franchise	20.22%
North County Franchise	19.63%
Covelo Transfer Station	2.40%
Laytonville Recycle Center	0.60%
Westport Transfer & Recycle	0.00%
Brooktrails Township Franchise	7.78%
Anderson Valley Franchise	9.95%

South Coast Franchise	16.23%
Gualala Recycle Center	0.56%
Material Processing Facility	12.34%
Willits Transfer Station	5.07%
Other Operations	0.00%
County Transfer Stations	4.75%
Casper Transfer Station	0.47%
	100.00%

Costs associated with transporting using possum, roll off and walking floor trailers additionally are expensed based on direct and indirect methods based on transportation hours.

Percent of Sales

Corporate wide expenses, executive and indirect administrative salaries and related are allocated across the divisions using the Percent of total Sales by division with the exception of MPF and WTSC which were based on a study of time associated with those locations. The sales reflect the percentage of time needed to services those areas. The remainder are allocated amongst the remaining divisions

Percent of Sales allocation are as follows:

<u>Division</u>	<u>Percentage</u>
City of Willits Franchise	14.92%
North County Franchise	18.10%
Covelo Transfer Station	1.88%
Laytonville Recycle Center	0.29%
Westport Transfer & Recycle	0.06%
Brooktrails Township Franchise	5.01%
Anderson Valley Franchise	7.31%
South Coast Franchise	11.43%
Gualala Recycle Center	0.10%
Material Processing Facility	7.85%
Willits Transfer Station	16.66%
Other Operations	0.49%
County Transfer Stations	6.21%
Casper Transfer Station	9.70%
	100.00%

Franchise sales percentage calculation includes revenue generated by the specific franchises. This is used to allocate administrative customer service salaries and related benefits and other indirect expenses generally associated with offering and providing services within the franchise service areas.

Percentage of Franchise Sales allocation are as follows:

<u>Division</u>	<u>Percentage</u>
City of Willits Franchise	26.28%
North County Franchise	31.88%

Brooktrails Franchise	8.82%
Anderson Valley Franchise	12.88%
South Coast Franchise	20.14%
	<u>100.00%</u>

A description of allocation method by expense category is as follows:

Expense Category	Percentage of			
	Direct	Sales	Franchise Sale	Truck Hours
Advertising	X		X	
Amortization	X	X	X	X
Bad Debts	X			
Bank Service Charges	X	X	X	
Contributions	X	X		
Depreciation	X	X	X	X
Dues & Subscriptions	X	X		
Dump Fees and Transportation-Refuse	X			
Dump Fees-Wood Waste	X			
Employee Welfare, Recruitment & Training	X	X	X	X
Employee Retirement	X	X	X	X
Equipment Leases	X		X	X
Franchise Fees	X			
Insurance-Health	X	X	X	X
Insurance-Liability	X	X		X
Insurance-Workers' Comp	X	X	X	X
Legal and Accounting	X	X	X	X
Interest	X	X	X	X
Outside Services	X	X	X	X
Operating Supplies	X	X	X	X
Promotions	X	X	X	
Rent	X		X	
Rentals	X	X		X
Repairs & Maintenance-Equipment	X		X	X
Salaries and related	X	X	X	X
Taxes and Licenses	X	X	X	X
Travel	X	X	X	
Vehicle Expense-Fuel	X			X
Vehicle Expense-R&M	X			X
Utilities	X	X	X	X

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	North County Franchise		Anderson Valley Franchise		South Coast Franchise	
	2018	2017	2018	2017	2018	2017
Operating Revenue						
Commercial	\$ 835,235	\$ 668,183	\$ 510,284	\$ 337,053	\$ 401,807	\$ 349,606
Residential	504,660	489,569	73,319	65,914	474,150	433,208
Industrial	323,192	276,013	88,666	77,863	180,623	204,299
Recycling Sales	120,161	134,624	-	12,112	40,466	9,298
Recycling Fees	10,222	12,710	7,588	7,035	6,111	5,678
Gate Fees Self Haul	173,976	173,708	-	-	-	-
Gate Fees Commercial	-	-	-	-	-	-
Finance Charges	5,465	4,257	781	773	1,759	2,064
Miscellaneous	2,216	1,893	625	(796)	603	1,040
Total Revenue	1,975,128	1,760,956	681,264	499,955	1,105,519	1,005,194
Cost of Revenue	(80,833)	(96,929)	-	(4,977)	(31,045)	(4,280)
Gross Margin	1,894,295	1,664,027	681,264	494,978	1,074,475	1,000,913
Operating Expenses (Schedule Attached)	(1,595,492)	(1,398,666)	(612,210)	(497,797)	(1,136,066)	(1,017,118)
Operating Income	298,803	265,361	69,054	(2,819)	(61,591)	(16,205)
Other Income (Expense)						
Interest and dividend income	-	53	-	16	0	32
Gain/(Loss) on Sale of Asset	(4,155)	(6,104)	(1,827)	(3,399)	(4,013)	(7,774)
Interest expense	(13,001)	(6,257)	(4,798)	(2,427)	(29,766)	(27,696)
Total Other Income (Expense)	(17,156)	(12,308)	(6,624)	(5,811)	(33,779)	(35,438)
Income before Provision for Taxes	281,647	253,053	62,430	(8,630)	(95,370)	(51,643)
Provision for Income Tax	(6,135)	13,075	(927)	-	-	12
Net Income	\$ 275,512	\$ 266,128	\$ 61,503	\$ (8,630)	\$ (95,370)	\$ (51,631)

SOLID WASTES OF WILLITS, INC.
STATEMENT OF OPERATING EXPENSES BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	North County Franchise 2018	North County Franchise 2017	Anderson Valley Franchise 2018	Anderson Valley Franchise 2017	South Coast Franchise 2018	South Coast Franchise 2017
Operating Expenses						
Advertising	\$ 34	\$ 49	\$ 14	\$ 20	\$ 77	\$ 126
Amortization	110	-	44	-	3,376	4,228
Bad Debts	8,030	4,466	(125)	758	3,701	1,348
Bank Service Charge	11,558	9,724	4,461	3,149	7,027	6,383
Contributions	20	-	7	-	12	-
Depreciation	65,025	83,185	23,184	34,146	88,656	107,479
Dues and Subscriptions	608	533	219	159	345	321
Disposal Fees and Transportation	291,475	295,557	104,901	98,194	66,225	71,905
Disposal Fees-Woodwaste	5,897	10,035	-	215	-	-
Processing Fees-Recycle	35,088	1,698	21,708	514	23,130	1,033
Employee Welfare and Training	4,777	1,740	1,740	2,069	2,748	4,708
Employee Retirement	9,506	6,756	3,197	12,351	5,897	35,964
Equipment Leases	37,230	43,937	13,226	50,539	24,898	104,521
Franchise Fees	139,758	131,352	55,820	6,808	110,076	23,501
Insurance-Health	42,593	34,068	11,786	9,862	32,848	19,386
Insurance-Liability	40,458	23,856	17,782	12,080	30,001	20,864
Insurance-Workers' Comp.	44,762	34,103	17,442	2,474	33,665	3,857
Legal and Accounting	3,198	5,311	1,249	3,191	1,958	6,781
Office Expense	15,695	11,126	5,519	606	8,765	1,221
Officers' Life Insurance	2,045	2,030	736	11,692	1,161	20,849
Outside Services	35,455	27,007	12,545	4,958	23,100	13,923
Operating Supplies	21,503	16,234	7,418	12,149	16,723	24,578
Payroll Taxes	40,175	34,718	15,491	511	27,720	1,070
Promotional Expenses	678	1,706	245	9,249	387	26,333
Rent	20,271	20,624	9,535	644	23,566	1,297
Rentals	939	2,143	339	144	535	317
Repairs and maintenance - Building	92	495	39	740	65	1,542
Repairs and maintenance - Equipment	4,324	1,989	1,796	138,696	3,014	287,304
Salaries	465,289	387,501	178,893	7,445	327,117	14,321
Taxes and License	19,299	20,932	7,541	147	15,027	2,023
Travel	1,443	429	533	40,953	1,780	80,499
Vehicle expense - Fuel	131,459	104,128	54,445	28,847	110,569	56,715
Vehicle expense - Repairs and maintenance	79,116	69,091	34,679	4,489	57,791	9,721
Utilities	17,583	13,879	5,800	10,707	10,707	1,017,118
Total Operating Expenses	\$ 1,595,492	\$ 1,398,666	\$ 612,210	\$ 497,797	\$ 1,136,066	\$ 1,017,118

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Albion Transfer Station		Boonville Transfer Station		Laytonville Transfer Station		Potter Valley Transfer Station		South Coast		County Transfer Stations Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating Revenue												
Commercial	-	-	-	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-	-	-	-
Industrial	-	-	-	-	-	-	-	-	-	-	-	-
Recycling Sales	6,648	9,527	1,394	999	1,624	1,825	901	458	2,159	966	6,077.80	4,277.65
Recycling Fees	96,846	101,228	3,191	4,402	2,079	4,477	562	385	13,354	21,824	25,933.84	40,614.50
Gate Fees Self Haul	-	-	107,098	110,713	155,791	179,474	42,737	45,189	144,699	152,205	547,170.97	588,809.61
Gate Fees Commercial	-	-	-	-	-	-	-	-	-	-	-	-
Finance Charges	0	10	-	12	-	10	-	6	-	-	0.24	-
Miscellaneous	-	-	-	-	-	-	-	-	59,880	13	59,880.00	50.89
Total Revenue	103,494	110,765	111,683	116,125	159,494	185,786	44,200	46,038	220,093	175,039	638,963	633,753
Cost of Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Gross Margin	103,494	110,765	111,683	116,125	159,494	185,786	44,200	46,038	220,093	175,039	638,963	633,753
Operating Expenses (Schedule Attached)	(117,942)	(117,717)	(160,347)	(137,508)	(155,801)	(155,585)	(75,064)	(76,270)	(244,139)	(172,972)	(753,292)	(660,051)
Operating Income	(14,448)	(6,952)	(48,665)	(21,382)	3,693	30,201	(30,864)	(30,232)	(24,046)	2,067	(114,329)	(26,299)
Other Income (Expense)	-	5	-	4	-	6	-	1	0	6	0.17	21.47
Interest and dividend income	(175)	64	(224)	76	(163)	61	(84)	(6,280)	(533)	(790)	(1,179.22)	(6,868.99)
Gain/(Loss) on Sale of Asset	(461)	(312)	(583)	(360)	(642)	(387)	(215)	(165)	(573)	(553)	(2,453.37)	(1,757.01)
Interest expense	(637)	(244)	(786)	(280)	(805)	(300)	(299)	(6,444)	(1,106)	(1,337)	(3,632)	(8,605)
Total Other Income (Expense)	(15,084)	(7,196)	(49,451)	(21,663)	2,888	29,901	(31,163)	(36,676)	(25,152)	730	(117,962)	(34,903)
Income before Provision for Taxes	-	-	-	-	(43)	1,058	-	-	-	26	(42.87)	1,084.34
Provision for Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	\$ (15,084)	\$ (7,196)	\$ (49,451)	\$ (21,663)	\$ 2,845	\$ 30,959	\$ (31,163)	\$ (36,676)	\$ (25,152)	\$ 756	\$ (118,005)	\$ (33,819)

SOLID WASTES OF WILLITS, INC.
STATEMENT OF OPERATING EXPENSES BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Albion Transfer Station					Boonville Transfer Station					Laytonville Transfer Station					Potter Valley Transfer Station					South Coast					County Transfer Stations Consolidated		
	2018	2017	2018	2017	2018	2018	2017	2018	2017	2018	2018	2017	2018	2017	2018	2018	2017	2018	2017	2018	2018	2017	2018	2017				
Operating Expenses	\$ 117,942	\$ 117,717	\$ 160,347	\$ 137,508	\$ 155,801	\$ 155,585	\$ 155,801	\$ 75,064	\$ 76,270	\$ 244,139	\$ 172,972	\$ 172,972	\$ 753,292	\$ 660,051	\$ 19,883	\$ 1,600.07	\$ 26,600.00	\$ 17,523.66	\$ 203.27	\$ 173,358.79	\$ 1,861.65	\$ 931.48	\$ 2,245.25	\$ 16,043.57				
Advertising																												
Amortization																												
Bad Debts	259	260	266	274	395	428	428	127	110	507	528	528	1,554.47	1,600.07	19,883	1,554.47	26,600.00	17,523.66	203.27	173,358.79	1,861.65	931.48	2,245.25	16,043.57				
Bank Service Charge																												
Contract Transportation	1	3,376	3,171	4,054	2,417	3,239	3,239	0	2,422	4,895	4,432	4,432	31,759.62	31,759.62	6,21	31,759.62	6,21	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Contributions	33	36	36	37	51	60	60	14	15	51	56	56	14,896.08	14,896.08	2	14,896.08	2	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Dues and Subscriptions	2,509	3,376	3,171	4,054	2,417	3,239	3,239	0	2,422	4,895	4,432	4,432	31,759.62	31,759.62	6,21	31,759.62	6,21	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Disposal Fees and Transportation	26,691	30,326	43,770	40,811	42,769	56,390	56,390	13,670	16,258	26,855	29,573	29,573	153,743.90	153,743.90	831.48	153,743.90	831.48	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Disposal Fees-Woodwaste																												
Processing Fees-Recycle	7,218	431	12,456	40,811	42,769	56,390	56,390	13,670	16,258	26,855	29,573	29,573	153,743.90	153,743.90	831.48	153,743.90	831.48	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Employee Welfare, Training, Recruitment	250	171	272	176	379	244	244	108	106	384	234	234	1,393.01	1,393.01	234	1,393.01	234	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Employee Retirement	1,521	1,138	638	283	644	301	301	393	168	1,572	355	355	4,767.15	4,767.15	355	4,767.15	355	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Equipment Leases	1,595	2,774	2,033	3,334	1,484	2,651	2,651	766	1,606	2,137	5,678	5,678	8,015.00	8,015.00	5,678	8,015.00	5,678	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Franchise Fees																												
Insurance-Health	2,275	1,917	2,569	2,156	4,059	3,118	3,118	1,456	1,184	12,286	1,935	1,935	22,644.56	22,644.56	1,935	22,644.56	1,935	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Insurance-Liability	1,709	1,115	2,177	1,340	1,592	1,065	1,065	821	645	2,161	1,462	1,462	8,460.43	8,460.43	1,462	8,460.43	1,462	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Insurance-Workers' Comp.	3,463	5,065	3,708	5,609	3,993	5,701	5,701	2,515	3,378	5,888	5,800	5,800	19,566.96	19,566.96	5,800	19,566.96	5,800	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Legal and Accounting	53	111	57	116	81	261	261	23	46	3,602	250	250	3,815.62	3,815.62	250	3,815.62	250	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Office Expense	1,551	1,218	1,404	1,531	2,046	1,731	1,731	1,016	1,083	1,919	1,381	1,381	7,935.42	7,935.42	1,381	7,935.42	1,381	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Officers' Life Insurance	112	135	121	142	172	227	227	48	56	173	214	214	625.86	625.86	214	625.86	214	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Outside Services	2,295	4,788	2,862	5,180	3,395	4,306	4,306	2,292	5,374	6,012	6,102	6,102	16,857.05	16,857.05	6,102	16,857.05	6,102	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Operating Supplies	1,113	830	1,214	884	1,672	949	949	809	702	2,637	1,232	1,232	7,444.44	7,444.44	1,232	7,444.44	1,232	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Payroll Taxes	4,644	4,336	5,828	4,745	5,402	5,081	5,081	3,505	3,076	6,800	5,275	5,275	26,179.28	26,179.28	5,275	26,179.28	5,275	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Promotional Expenses	35	111	38	116	54	186	186	15	46	54	175	175	196.04	196.04	175	196.04	175	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Rent																												
Rentals	51	142	55	149	78	237	237	22	59	79	224	224	284.91	284.91	224	284.91	224	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Repairs and maintenance - Building	20		20		19	79	79	18		1,673			1,750.73	1,750.73		1,750.73		14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Repairs and maintenance - Equipment	59	40	75	49	55	39	39	28	23	1,269	793	793	1,485.37	1,485.37	793	1,485.37	793	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Salaries	47,547	48,026	60,485	52,914	62,199	57,196	57,196	33,695	32,148	79,879	56,586	56,586	283,803.88	283,803.88	56,586	283,803.88	56,586	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Taxes and License	1,700	1,760	1,857	1,899	1,766	1,727	1,727	1,402	1,492	10,232	9,500	9,500	16,956.34	16,956.34	9,500	16,956.34	9,500	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Transportation to Landfill																												
Travel	495	227	207	25	177	33	33	25	394	1,180	1,326	1,326	2,084.24	2,084.24	1,326	2,084.24	1,326	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Vehicle expense - Fuel	5,326	4,666	8,358	5,747	6,891	5,997	5,997	2,656	2,801	12,959	6,130	6,130	36,190.51	36,190.51	6,130	36,190.51	6,130	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Vehicle expense - Repairs and maintenance	3,356	3,279	4,264	3,936	3,166	3,161	3,161	1,609	1,936	4,282	4,797	4,797	16,677.93	16,677.93	4,797	16,677.93	4,797	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Utilities	2,069	1,437	2,401	2,007	1,284	1,177	1,177	1,385	1,140	985	1,000	1,000	8,133.81	8,133.81	1,000	8,133.81	1,000	14,896.08	186.10	153,743.90	831.48	1,393.01	4,767.15	8,015.00				
Total Operating Expenses	\$ 117,942	\$ 117,717	\$ 160,347	\$ 137,508	\$ 155,801	\$ 155,585	\$ 155,801	\$ 75,064	\$ 76,270	\$ 244,139	\$ 172,972	\$ 172,972	\$ 753,292	\$ 660,051	\$ 19,883	\$ 1,600.07	\$ 26,600.00	\$ 17,523.66	\$ 203.27	\$ 173,358.79	\$ 1,861.65	\$ 931.48	\$ 2,245.25	\$ 16,043.57				

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Casper Transfer Station	
	2018	2017
Operating Revenue		
Commercial	\$ -	\$ -
Residential		
Industrial		
Recycling Sales	10,240	14,221
Recycling Fees	146,303	153,310
Gate Fees Self Haul	747,023	685,021
Gate Fees Commercial		
Finance Charges		
Miscellaneous	-	5
Total Revenue	903,566	852,556
Cost of Revenue	-	-
Gross Margin	903,566	852,556
Operating Expenses (Schedule Attached)	(808,920)	(794,981)
Operating Income	94,646	57,575
Other Income (Expense)		
Interest and dividend income	-	27
Gain/(Loss) on Sale of Asset	(86)	(203)
Interest expense	(1,508)	(951)
Total Other Income (Expense)	(1,594)	(1,126)
Income before Provision for Taxes	93,053	56,449
Provision for Income Tax	(1,381)	1,998
Net Income	\$ 91,672	\$ 58,447

SOLID WASTES OF WILLITS, INC.
STATEMENT OF OPERATING EXPENSES BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Casper Transfer Station	
	2018	2017
Operating Expenses		
Advertising	\$ -	\$ 1
Amortization	11	
Bad Debts	-	-
Bank Service Charge	2,186	1,945
Contract Transportation	143,860	153,447
Contributions	10	-
Depreciation	6,385	5,400
Dues and Subscriptions	290	273
Disposal Fees-Solid Waste	279,365	303,904
Disposal Fees-Woodwaste	17,102	12,427
Processing Fees-Recycle	9,732	
Employee Welfare, Training, Recruitment	2,091	894
Employee Retirement	1,648	646
Equipment Leases	38,704	34,378
Franchise Fees		
Insurance-Health	26,765	22,965
Insurance-Liability	864	519
Insurance-Workers' Comp.	7,842	14,485
Legal and Accounting	461	852
Office Expense	5,044	3,832
Officers' Life Insurance	977	1,041
Outside Services	5,237	8,375
Operating Supplies	2,483	2,325
Payroll Taxes	12,798	10,108
Promotional Expenses	306	852
Rent	67,323	69,609
Rentals	2,656	3,121
Repairs and maintenance - Building	18	1,874
Repairs and maintenance - Equipment	1,390	4,265
Salaries	152,221	120,944
Taxes and License		
Licenses	220	219
Permit Fees	3,288	3,288
Property Taxes	78	87
Sales Taxes		
Travel	1,656	1,202
Vehicle expense - Fuel	7,998	5,476
Vehicle expense - Repairs and maintenance	2,225	1,877
Utilities	5,685	4,351
Total Operating Expenses	<u>\$ 808,920</u>	<u>\$ 794,981</u>

SOLID WASTES OF WILLITS, INC.
STATEMENT OF INCOME BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Willits Transfer Station Commercial		Willits Transfer Station Self Haul	
	2018	2017	2018	2017
Operating Revenue				
Commercial Services	-	-	-	-
Residential Services	-	-	-	-
Industrial Services	-	-	-	-
Recycling Sales	15,659	12,927	15,503	13,802
Recycling Fees	-	-	71,687	74,954
Gate Fees Self Haul	-	-	824,335	769,446
Gate Fees Commercial	2,219,882	2,230,654	-	-
Finance Charge	-	-	856	546
Miscellaneous	-	206	600	401
Total Revenue	2,235,541	2,243,788	912,981	859,149
Cost of Revenue	-	-	-	-
Gross Margin	2,235,541	2,243,788	912,981	859,149
Operating Expenses (Schedule Attached)	(2,202,342)	(2,127,013)	(772,753)	(738,262)
Operating Income	33,199	116,774	140,228	120,887
Other Income (Expense)				
Interest and dividend income	-	21	-	27
Gain/(Loss) on Sale of Asset	(7,187)	(14,261)	(316)	(270)
Interest expense	(2,194)	(3,496)	(2,603)	(1,646)
Total Other Income (Expense)	(9,381)	(17,737)	(2,918)	(1,888)
Income before Provision for Taxes	23,818	99,038	137,309	118,999
Provision for Income Tax	(354)	3,506	(2,038)	4,213
Net Income	23,465	102,543	135,271	123,212

SOLID WASTES OF WILLITS, INC.
STATEMENT OF OPERATING EXPENSES BY DIVISION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Operating Expenses	Willits Transfer Station Commerical		Willits Transfer Station Self Haul	
	2018	2017	2018	2017
Advertising	-	23	-	4
Amortization	12	-	15	-
Bad Debts	-	-	(7)	-
Bank Service Charge	1,079	1,578	4,888	3,914
Contract Transportation	74,300	407,150	-	400
Contributions	5	-	10	-
Depreciation	95,597	66,882	19,835	25,064
Dues and Subscriptions	150	207	293	275
Disposal Fees-Solid Waste/Transportation	1,038,154	1,008,215	519,725	498,480
Disposal Fees-Wood Waste	5,492	4,112	8,754	12,481
Processing Fees-Recycle	2,436	-	-	-
Employee Welfare, Training, Recruitement	1,177	660	2,133	844
Employee Retirement	6,521	3,782	1,917	1,518
Equipment Leases	194,070	77,792	2,890	7,230
Franchise Fees	-	-	-	-
Insurance-Health	39,364	21,935	11,626	13,894
Insurance-Liability	6,441	14,598	3,098	2,121
Insurance-Workers' Comp.	38,112	28,778	6,532	8,754
Legal and Accounting	238	645	466	858
Office Expense	2,127	3,495	5,103	2,009
Officers' Life Insurance	503	789	986	1,049
Outside Services	23,743	7,318	6,552	6,125
Operating Supplies	4,251	7,592	3,917	2,319
Payroll Taxes	34,525	26,065	10,788	8,699
Promotional Expenses	158	645	516	858
Rent	-	-	-	-
Rentals	230	839	3,765	4,151
Repairs and maintenance - Building	7	-	5	-
Repairs and maintenance - Equipment	38,169	11,009	2,763	881
Salaries	407,842	304,353	121,739	103,742
Taxes and License	350	534	256	280
Licenses	1,128	5,021	714	816
Permit Fees	9,603	9,887	-	211
Property Taxes	7,988	9,610	7,818	7,759
Sales Taxes	-	-	-	-
Transportation to Landfill	-	-	-	-
Travel	431	182	515	143
Vehicle expense - Fuel	155,162	59,417	15,086	13,068
Vehicle expense - Repairs and maintenance	9,746	38,527	6,534	6,454
Utilities	3,233	5,373	3,523	3,862
Total Operating Expenses	<u>2,202,342</u>	<u>2,127,013</u>	<u>772,753</u>	<u>738,262</u>

March 31, 2021

Submitted to be attached for public view to the City/County Coastal Transfer Station Ad Hoc Committee Meeting April 7, 2021 Agenda, and please forward to each Member of the Mendocino County Board of Supervisors and to each Member of the City of Fort Bragg City Council.

**Caspar Transfer Station
Temporary Improvements to the Site**

Issue:

The long promised publicly owned central coast transfer station to be developed by the County of Mendocino and the City of Fort Bragg has not been built.

As a result, the Caspar Transfer Station (Caspar) has been pressed into service to provide coastal self-haul customers with essential disposal and diversion services. Having been promised that the central coast transfer station opening was just around the corner, Solid Wastes of Willits (SWOW) struggled on at Caspar with aged out equipment, and then, when that equipment failed, SWOW provided, at its own expense, what was thought to be an even more temporary inefficient drop box solution to be used until the promised central coastal transfer station opened.

Faced with the reality that a publicly owned facility will not be built in the foreseeable future, it should be recognized that the County and the City, not SWOW, are ultimately responsible in the absence of the promised central coast facility for providing self-haul customers with the infrastructure necessary to provide these critical disposal and diversion services.

These services cannot be provided in any reasonably efficient way by the current inefficient and costly Caspar drop box system.

In light of the County and City's failure to provide a publicly owned transfer station solution, SWOW now asks how the City and County plan to provide SWOW with the temporary improvements needed to eliminate the debris box collection system and replace it with a trailer operation to collect waste and recyclable materials in larger loads thereby reducing truck trips in order to direct-haul to the landfill and Material Recovery Facility. These improvements will greatly reduce the carbon footprint of the Caspar operation.

History:

When it became apparent that the County of Mendocino could no longer operate the Caspar facility in an economic way and given that the coastal transfer station would become operational in the near term, SWOW and the County of Mendocino with consent and concurrence of City of Fort Bragg, the Caspar joint owner, entered into an Agreement on January 25, 2011, providing for the operation of the Caspar Transfer Station by SWOW until June 30, 2017.

On March 18, 2016, without notifying SWOW, the Mendocino County Board of Supervisors took action to extend the Agreement to June 30, 2021 pending concurrence from the City of Fort Bragg which was received.

At the commencement date of the new transfer station Agreement, SWOW was required to assume the hauling agreement between the County and USA Waste of California (Fort Bragg Disposal) for servicing the “pod container” system at the site. SWOW was responsible for paying the hauling services per the terms of the Agreement. The hauling contract could not be terminated prior to June 30, 2014.

Relying on the promised central coast transfer station, due to be operational between 2015 and 2017, SWOW continued the hauling agreement with Fort Bragg Disposal on a month-to-month basis after June 30, 2014 expecting the closing of the Caspar site by the end of the term of the Caspar Agreement.

In January 2016, SWOW received a letter from Fort Bragg Disposal requesting to pull the pod compacting/container system as they no longer wish to use or support them. Again, expecting the operation of a new coastal transfer station, SWOW negotiated with Fort Bragg Disposal to continue to service the Caspar site by replacing the pods with open-top 50 cubic yard containers. This eliminated the need for SWOW to purchase trucks and containers for what was expected to be a short period of time.

At the April 28, 2017 Caspar Coordinating Committee meeting, an update on the central coast transfer station was given by Linda Ruffing, City Manager, City of Fort Bragg, that the goal is to have an option for the site of the coastal transfer station from one of the three landowners in a land swap within 4 months. After this, the required process on the local and State levels will be completed. The goal was to circulate a design-build-operate for a new transfer station by May 2018.

At a subsequent meeting in 2017 with the Caspar Coordinating Committee, Linda Roofing gave the committee another update on the new transfer station. Ms. Ruffing stated that things were moving along and that real estate discussions were taking place between CalFire and the City/County, but State Parks is no longer part of the proposed land swap. Ms. Ruffing projects that the new facility will be built in roughly 3-4 years.

In May 2020, SWOW received a letter from Fort Bragg Disposal terminating the Caspar then month-to-month hauling service agreement with SWOW, effective June 30, 2020, for the service of providing and hauling their open-top containers at the Caspar Transfer Station.

Beginning July 1, 2020, SWOW provided 15 open-top 50 cubic yard containers with a roll-off truck for servicing the (1) household waste, (2) bulk wastes, and (3) recyclable materials. On a weekly average SWOW collects and transports to the Willits Transfer Station 15 containers using a truck and trailer combo or approximately 7 trips per week.

For additional background, it should be noted that over the last approximately four years, the Mendocino County, Director of Solid Waste position that should provide contract management for the Caspar Transfer Station has had staffing issues. The position has been either vacant, occupied by individuals who have come and gone, or served by a consultant with limited mission tasks. None of these individuals were responsive to SWOW requests to modify the Caspar agreement language to deal with the reality of what was happening on the ground.

To fully understand SWOW’s frustration on the question of a onetime rate adjustment and other modifications to the Caspar Transfer Station Agreement, it is important that the Caspar Transfer Station Coordinating Committee, and all the members of the Board of Supervisors and Fort Bragg City Council be aware of the following.

SWOW, recognizing that the Caspar agreement was no longer functional under the changed operating conditions, on three separate occasions submitted suggested language to the then sitting County Director of Solid Waste asking to modify the original out of date agreement to deal with these issues, receiving no response or action from the Directors of Solid Waste who held the position over this four-year period of time.

Had the submitted language been vetted by County staff after any of these SWOW submittals, and had staff presented the agreement amendment language for approval, this Committee would not now be having this current discussion. Rather, SWOW would have presented to the Committee a rate adjustment request under clearly understood amended terms of the agreement.

We can provide the Committee with the multiple communications submitted to the various County Solid Waste Directors, without response, along with the proposed amendment language submitted, ***but we do not want this rate adjustment to be delayed further, because the former contract managers failed in the past to present the needed agreement amendments for approval.***

As the Committee knows, during this period of time, equipment that was assumed to be operational under the original agreement language wore out and was dismantled, the contract hauler of solid waste from the transfer station withdrew and the solutions on the ground somehow became the responsibility of SWOW with no response or cooperation from County staff to discuss and identify rational solutions.

Faced with the health, welfare and safety issues that are mitigated by the operation of the Caspar self-haul facility currently, the County and City must now address the following infrastructure improvements, which are the responsibility of the County and City, that are needed, no matter what long-term transfer station solution is achieved, or alternatively provide the requested ninety-six cents (\$.96) per cubic yard rate adjustment, both described below.

We thank you for your attention to these critical needs.

Description of Improvements: See Site Map

1. Increase the height of the ramp area, (currently where the bulky waste containers are located) with fill material and/or dig down where the trailer will be placed for loading.
2. Cover the increased ramp area where unloading by self-haulers will occur with a concrete slab 12' x 60'. The remainder of the ramp to be covered with asphalt.
3. Place a concrete slab under the area where the trailer will be placed for ease of cleanup and stability.
4. Construct a three-sided roof structure over the concrete loading area, the trailer placement area with open sides below in order for the truck/trailer to drive thru.

Operation of Existing and New Improvements:

1. Currently the covered area with two containers next to the site office that are used for household garbage will be replaced with two containers for recyclable materials. The recyclable materials that currently sit outside will be relocated under covered area to minimize rainfall.
2. Self-haul customers with both household waste and bulky waste will be directed by the site attendant to unload their waste material under the new, larger, roof structure onto the concrete slab where the waste material will be pushed by a front-load loader directly into the

trailer. Before the material is pushed into the trailer the loader operator will visually inspect for hazardous materials or other materials not accepted at the landfill, since this trailer will be directed hauled to the landfill and bypass the Willits Transfer Station.

3. Once the recyclable materials under the covered area are full and during hours the public is not on site, the containers will be picked up by an onsite yard truck and dumped onto the concrete floor under the new, larger roof structure. Another type of trailer (walking floor) will be placed in the trailer location and the recyclable materials will be pushed into this trailer and when full will be transported directly to the material recovery facility in Willits to be cleaned, sorted, processed, baled, and transported to a market.
4. Scrap metal and green waste will continue to be stored at its current locations on site and moved off site by the front-end loader loading SWOW's trailers. No change in operations. This system has been in placed using trailers for the last few years.
5. Currently on site are two smaller trailers provided by third-party vendors for the storage of mattresses and tires. These trailers are service a few times per year when full.
6. Used motor oil and electronics banned from the landfill use a double-walled tank and debris boxes provided by a third-party vendor. This service is also a few times per year.

Cost of New Improvements:

TBD

Options for Financing Improvements:

The available options for the financing of the Caspar improvements include the following:

The use of funds on hand, debt, increased gate fees or some combination thereof.

Debt could be assumed by either the County/City, or by SWOW if specifics were acceptable to all parties.

Any funding mechanism would have to extinguish the debt during the Term of a revised Caspar Lease term.

Possible options for repaying that debt follow:

1. Use part or all the current \$194,000 balance in the Caspar rent fund and supplement the remaining unfunded improvements with the future \$3 gate fee portion of rent, until the improvement debt has been extinguished. After the improvements' debt has been extinguished. Consider the elimination of the \$3 portion of the rent at that time to benefit the self-haul ratepayer.
2. Use part or all the current \$194,000 balance of the Caspar rent fund and supplement the remaining unfunded improvements with part of the future \$3 gate fee portion of rent, until the improvement debt has been extinguished. Consider the elimination of the \$3 portion of the rent at that time to benefit the self-haul ratepayer.
3. Use part or all the current \$194,000 balance of the Caspar rent fund and supplement the remaining unfunded improvements cost payments with part of the future \$3 gate fee portion of rent and a gate fee increase (net of any efficiency savings) to be determined, until the improvement debt has been

extinguished. Consider the elimination of the \$3 portion of the rent at that time to benefit the self-haul ratepayer.

Operating the Site without the efficiency of using "Possum Belly" trailers

Using 50 cubic yard boxes (Currently being Used)

Total number of cubic yards collected at the Caspar site in 2019: **22,342**.

Total number of 50 cubic yard boxes delivered to the Willits Transfer Station for disposal in 2019: **465**.

Total number of truck trips to Willits transfer Station using a truck and trailer combo: **233**.

Round trip from Willits to Caspar and back, 4.5 hours at \$90/hour. **\$405 per trip**.

Total cost \$94,365 (\$405 per trip x 233 trips).

Note: The 0.50-hour difference between round trips, the truck and trailer combo requires additional time to load and unload the truck trailer combo.

Using 115 cubic yard "possum belly" trailers as Proposed

Total number of cubic yards collected at the Caspar site in 2019: **22,342**.

Total number of 115 cubic yard trailers to the Willits Transfer in 2019: **199**

Round trip from Willits to Caspar and back, 4 hours at \$90/hour. **\$360 per trip**

Total cost \$71,640 (\$360 per trip x 199 trips).

Difference: \$22,725 or \$0.98/yard. (22,342 cubic yards divided by \$22,725 Savings).

Notice:

While SWOW plans to continue to act in good faith in regard to the Caspar Transfer Station Agreement, Notice is hereby given to the County of Mendocino and to the City of Fort Bragg that SWOW reserves all rights in any extension of the Caspar Transfer Station Agreement beyond June 30, 2021 through the actions of the Board of Supervisors of the County of Mendocino and the City Council of the City of Fort Bragg without the prior written agreement by SWOW to such extension.

Improvements to Caspar

Legend

 Caspar Transfer Station



300 ft

Existing Recyclable Material Containers

Scrap Metal Storage Area

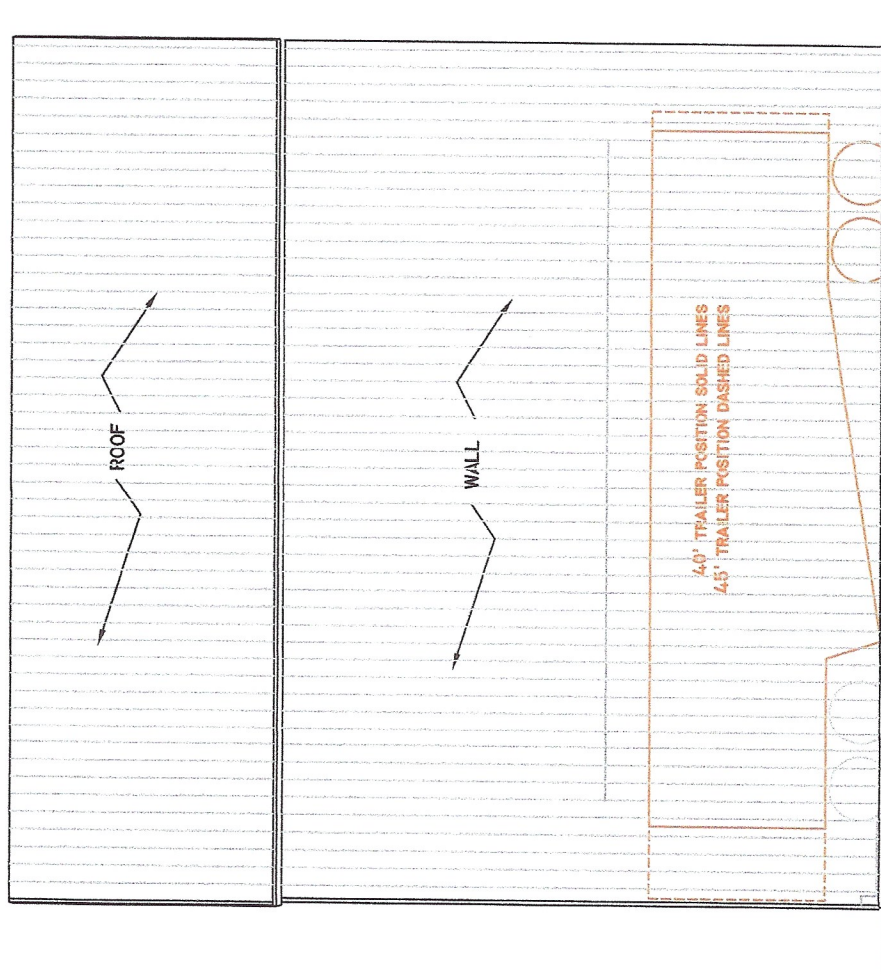
Caspar Transfer Station

Current Roof Structure for Self-haul Waste

Repurposed for Recyclable Material Containers

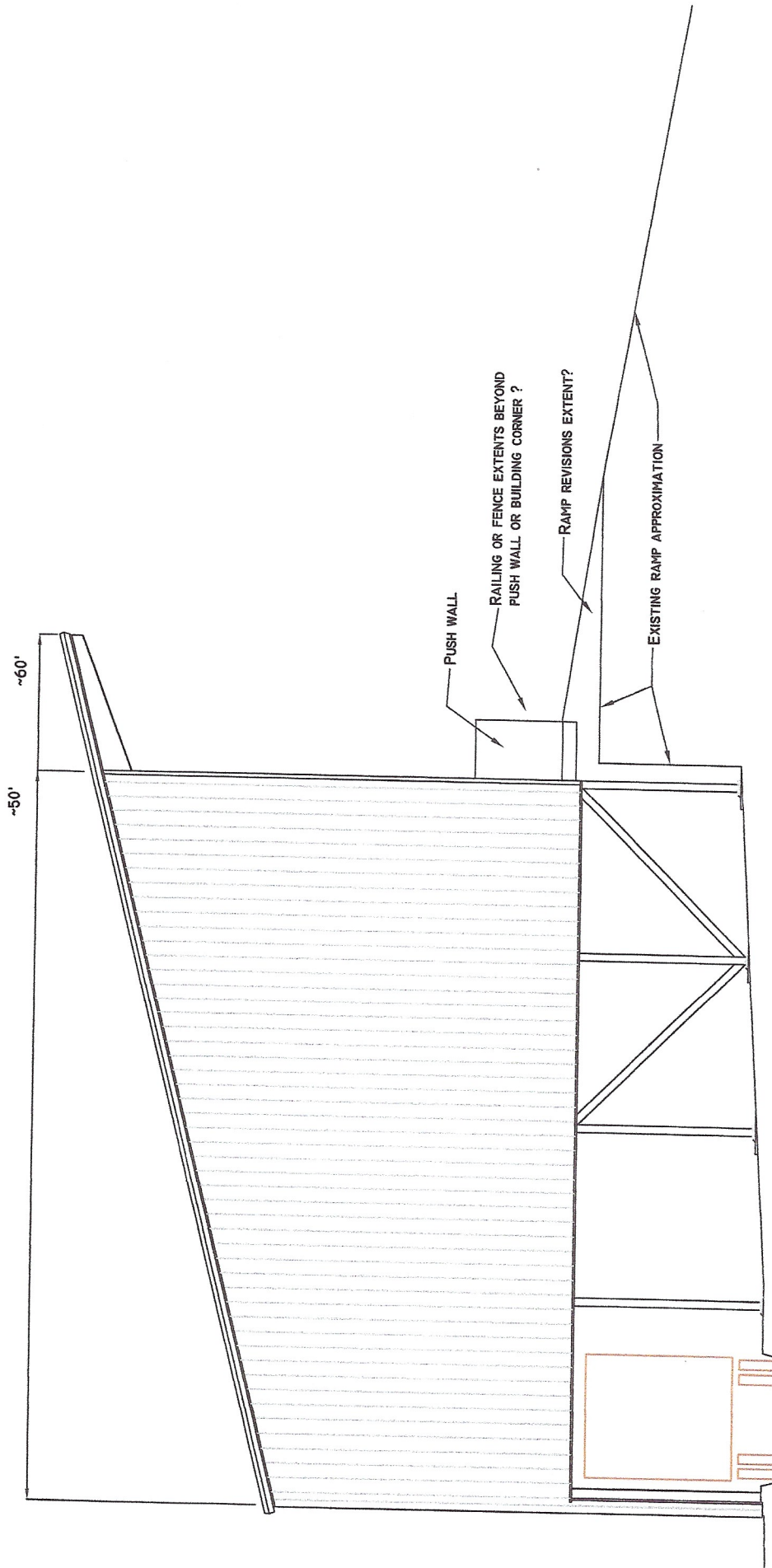
Proposed Ramp and 70x30 Roof Structure

Trailer



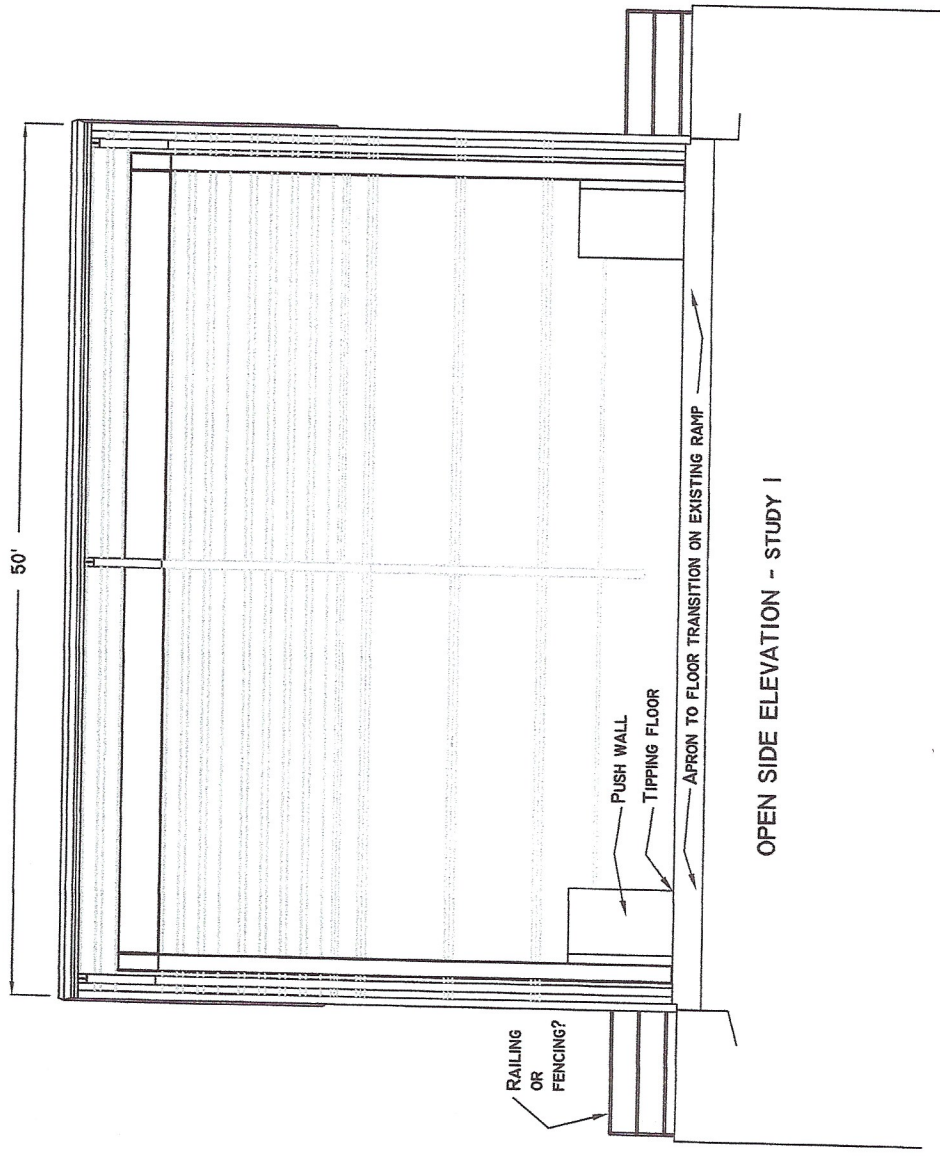
SCALE: $\frac{3}{32}'' = 1'-0''$

LOW EAVE SIDEWALL ELEVATION W/ VIEW OF ROOF - STUDY I

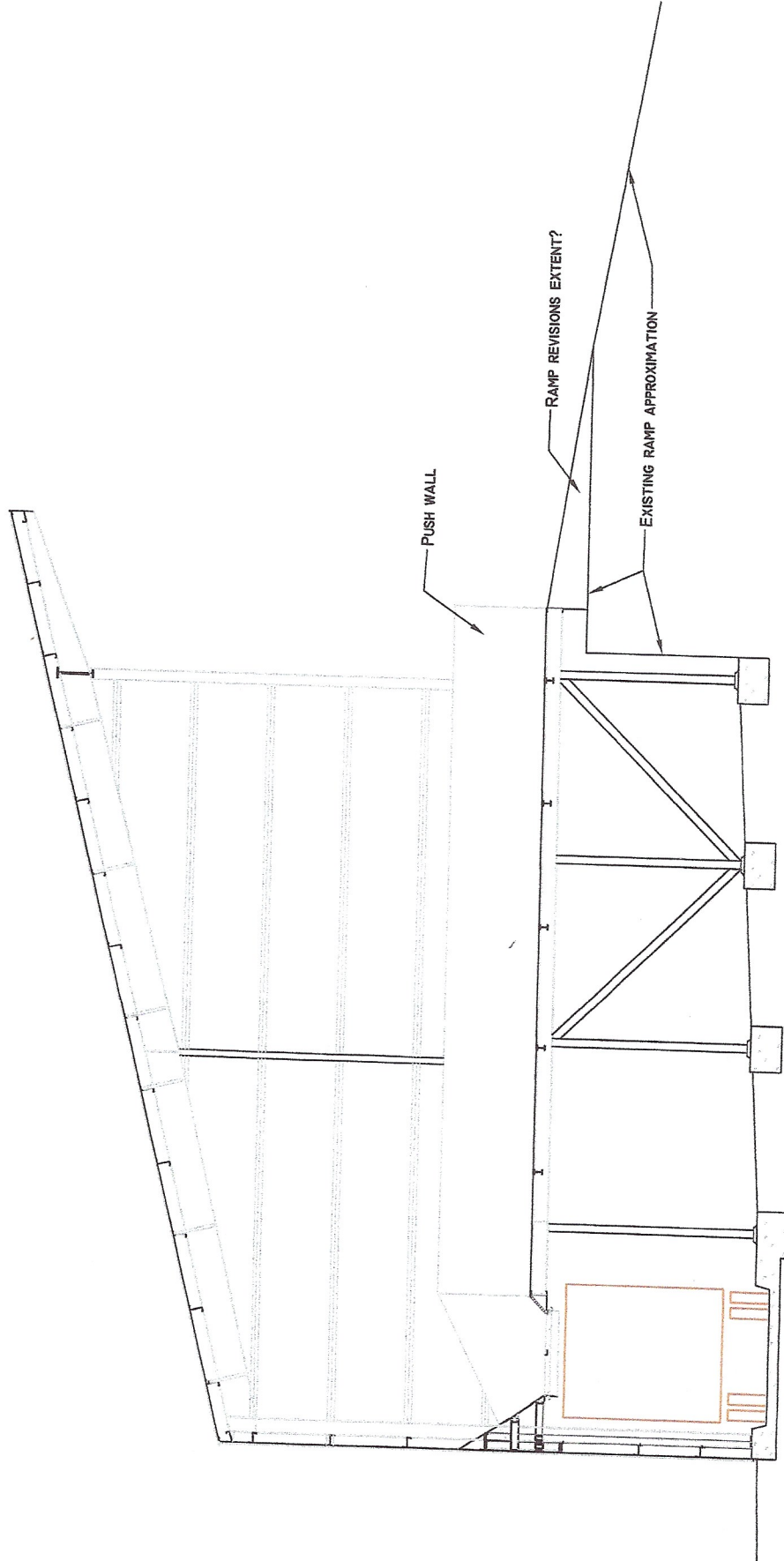


ENDWALL ELEVATION OPPOSITE END MIRROR IMAGE - STUDY I

SCALE: $\frac{3}{8}'' = 1'-0''$



SCALE: $\frac{3}{8}'' = 1' - 0''$



SCALE: 3/8" = 1'-0"

SECTION - STUDY I