

**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

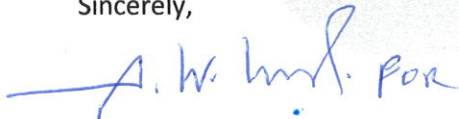
Dear Carmel,

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.**

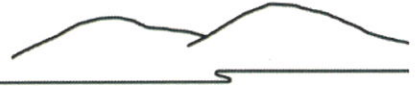
## **FINANCIAL STATEMENTS**

**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**

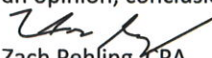
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting 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**

	<b>December 31,</b>	
<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
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	<u>1,643,141</u>	<u>1,545,588</u>
Property and Equipment, Net	5,451,918	5,691,852
Other Assets, Net	821,633	867,742
Total Assets	<u><u>\$ 7,916,692</u></u>	<u><u>\$ 8,105,181</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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	<u>1,486,801</u>	<u>2,136,311</u>
Long Term Debt and Notes Payable	3,310,607	2,886,239
Deferred Income Tax	497,726	497,726
Total Liabilities	<u>5,295,134</u>	<u>5,520,276</u>
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	<u>2,621,558</u>	<u>2,584,905</u>
Total Liabilities and Stockholders Equity	<u><u>\$ 7,916,692</u></u>	<u><u>\$ 8,105,181</u></u>

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	<u>\$ 11,732,570</u>	<u>100.00%</u>	<u>\$ 12,887,477</u>	<u>100.00%</u>

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
	<u>\$ 821,633</u>	<u>\$ 867,742</u>

**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
<b>Current Notes Payable Obligations:</b>		
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	351,429	723,325
Total Current Notes Payable	\$ 351,429	\$ 973,325
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:		
<b>Long-term Notes Payable Obligations:</b>		
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	(351,429)	(723,325)
Total Long-term Debt	\$ 3,310,607	\$ 2,886,239
Total Debt	\$ 3,662,036	\$ 3,859,564

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
	<u>\$ 14,190</u>	<u>\$ (38,300)</u>
Deferred Tax		
Federal		131,146
State		(2,266)
		<u>128,880</u>
	<u>\$ 14,190</u>	<u>\$ 90,580</u>

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%
	<u>100.00%</u>

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%
	<u>100.00%</u>

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	2,748	2,748	4,708
Employee Retirement	9,506	6,756	3,197	2,069	5,897	35,964
Equipment Leases	37,230	43,937	13,226	12,351	24,898	104,521
Franchise Fees	139,758	131,352	55,820	50,539	110,076	23,501
Insurance-Health	42,593	34,068	11,786	6,808	32,848	19,386
Insurance-Liability	40,458	23,856	17,782	9,862	30,001	20,864
Insurance-Workers' Comp.	44,762	34,103	17,442	12,080	33,665	3,857
Legal and Accounting	3,198	5,311	1,249	2,474	1,958	6,781
Office Expense	15,695	11,126	5,519	3,191	8,765	1,221
Officers' Life Insurance	2,045	2,030	736	606	1,161	20,849
Outside Services	35,455	27,007	12,545	11,692	23,100	13,923
Operating Supplies	21,503	16,234	7,418	4,958	16,723	24,578
Payroll Taxes	40,175	34,718	15,491	12,149	27,720	1,070
Promotional Expenses	678	1,706	245	511	387	26,333
Rent	20,271	20,624	9,535	9,249	23,566	1,297
Rentals	939	2,143	339	644	535	317
Repairs and maintenance - Building	92	495	39	144	65	1,542
Repairs and maintenance - Equipment	4,324	1,989	1,796	740	3,014	287,304
Salaries	465,289	387,501	178,893	138,696	327,117	14,321
Taxes and License	19,299	20,932	7,541	7,445	15,027	2,023
Travel	1,443	429	533	147	1,780	80,499
Vehicle expense - Fuel	131,459	104,128	54,445	40,953	110,569	56,715
Vehicle expense - Repairs and maintenance	79,116	69,091	34,679	28,847	57,791	9,721
Utilities	17,583	13,879	5,800	4,489	10,707	1,017,118
Total Operating Expenses	\$ 1,595,492	\$ 1,398,666	\$ 612,210	\$ 497,797	\$ 1,136,066	\$

See Independent Accountants Review Report

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					1,624	1,825	901	458	2,159	996	6,077.80	4,277.65
Recycling Fees	6,648	9,527	3,191	4,402	2,079	4,477	562	385	13,354	21,824	25,833.84	40,614.50
Gate Fees Self Haul	96,846	101,228	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										0.24	
Miscellaneous		10		12		10		6	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)	(172,372)	(753,292)	(660,051)
Operating Income	(14,448)	(6,952)	(48,665)	(21,382)	3,693	30,201	(30,864)	(30,232)	(24,046)	2,667	(114,329)	(26,299)
Other Income (Expense)												
Interest and dividend income		5		4		6		1	0	6	0.17	21.47
Gain/(Loss) on Sale of Asset	(175)	64	(224)	76	(163)	61	(84)	(6,280)	(533)	(790)	(1,179.22)	(6,868.99)
Interest expense	(481)	(312)	(563)	(360)	(642)	(367)	(215)	(165)	(573)	(553)	(2,453.37)	(1,757.01)
Total Other Income (Expense)	(637)	(244)	(786)	(280)	(805)	(300)	(299)	(6,444)	(1,106)	(1,337)	(3,632)	(8,605)
Income before Provision for Taxes	(15,084)	(7,196)	(49,451)	(21,663)	2,888	29,901	(31,163)	(36,676)	(25,152)	730	(117,962)	(34,903)
Provision for Income Tax					(43)	1,058				26	(42.87)	1,084.34
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		Leytonville 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 Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Amortization	4	-	5	-	4	-	2	-	4	-	19,83	9,78
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-
Bank Service Charge	259	260	266	274	395	428	127	110	507	528	1,554.47	1,600.07
Contract Transportation	-	-	-	-	-	-	-	-	31,760	26,600	31,759.62	26,600.00
Contributions	1	-	1	-	2	-	0	-	2	-	6,21	-
Depreciation	2,509	3,376	3,171	4,054	2,417	3,239	1,905	2,422	4,895	4,432	14,886.08	17,523.66
Dues and Subscriptions	33	36	36	37	14	60	14	15	51	56	186.10	203.27
Disposal Fees and Transportation	26,691	30,326	43,770	40,811	42,769	56,390	13,670	16,258	26,855	29,573	153,743.90	173,358.79
Disposal Fees-Woodwaste	-	431	-	-	-	-	-	-	831	1,431	831.48	1,861.65
Processing Fees-Recycle	7,218	-	12,456	-	9,552	-	4,740	-	21,060	-	55,026.00	-
Employee Welfare, Training, Recruitment	250	171	272	176	379	244	108	106	384	234	1,393.01	931.48
Employee Retirement	1,521	1,138	638	283	644	301	168	1572	1,572	355	4,767.15	2,245.25
Equipment Leases	1,595	2,774	2,033	3,394	1,484	2,651	766	1,606	2,137	5,678	8,015.00	16,043.57
Franchise Fees	-	-	-	-	-	-	-	-	-	-	-	-
Insurance-Health	2,275	1,917	2,569	2,156	4,059	3,118	1,456	1,184	12,286	1,935	22,644.56	10,209.90
Insurance-Liability	1,709	1,115	2,177	1,340	1,592	1,065	821	645	2,161	1,462	8,460.43	5,627.97
Insurance-Workers' Comp.	3,463	5,065	3,708	5,609	3,993	5,701	2,515	3,378	5,888	5,800	19,566.96	25,552.25
Legal and Accounting	53	111	57	116	81	261	23	46	3,602	250	3,815.62	783.40
Office Expense	1,551	1,218	1,404	1,531	2,046	1,731	1,016	1,083	1,919	1,381	7,935.42	6,945.16
Officers' Life Insurance	112	135	121	142	172	227	48	56	173	214	625.86	774.12
Outside Services	2,295	4,788	2,862	5,180	3,395	4,306	2,292	5,374	6,012	6,102	16,857.05	25,749.61
Operating Supplies	1,113	830	1,214	884	1,672	949	809	702	2,637	1,232	7,444.44	4,598.27
Payroll Taxes	4,644	4,336	5,828	4,745	5,402	5,081	3,505	3,076	6,800	5,275	26,179.28	22,512.33
Promotional Expenses	35	111	38	116	54	186	15	46	54	175	196.04	633.45
Rent	-	-	-	-	-	-	-	-	-	-	-	-
Rentals	51	142	55	149	78	237	22	59	79	224	284.91	811.65
Repairs and maintenance - Building	20	-	20	-	19	79	18	-	1,673	-	1,750.73	78.96
Repairs and maintenance - Equipment	59	40	75	49	55	39	28	23	1,269	793	1,485.37	943.80
Salaries	47,547	48,026	60,485	52,914	62,199	57,196	33,695	32,148	79,879	56,586	283,803.88	246,888.65
Taxes and License	1,700	1,760	1,857	1,899	1,766	1,727	1,402	1,492	10,232	9,500	16,956.34	16,368.38
Transportation to Landfill	-	-	-	-	-	-	-	-	-	-	-	-
Travel	495	227	207	25	177	33	25	394	1,180	1,326	2,084.24	2,005.21
Vehicle expense - Fuel	5,326	4,666	8,358	5,747	6,891	5,997	2,656	2,801	12,959	6,130	36,190.51	25,340.16
Vehicle expense - Repairs and maintenance	3,356	3,279	4,264	3,936	3,166	3,161	1,609	1,936	4,282	4,797	16,677.93	17,108.84
Utilities	2,069	1,437	2,401	2,007	1,284	1,177	1,385	1,140	985	1,000	8,133.81	6,761.71
Total Operating Expenses	\$ 117,942	\$ 117,717	\$ 160,347	\$ 137,508	\$ 155,601	\$ 155,585	\$ 75,064	\$ 76,270	\$ 244,139	\$ 172,972	\$ 753,292	\$ 660,051



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	\$ -	\$ 1
Advertising	11	
Amortization		
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	\$ 808,920	\$ 794,981

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

	Willits Transfer Station Commerical		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, Recruitment	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>