Note: Recology's financial statements do not reflect the same numbers as the rate reports. These differences are due to differences in reported periods covered (the fiscal years do not correspond to the rate years), different treatment for certain items in financial statements and rate reports, and the inclusion in financial statements of expenses for which ratepayers are not charged.

Recology's financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) and cover Recology's fiscal year. For instance, fiscal year 2021 is October 1, 2020 through September 30, 2021. The statements were audited by Recology's independent outside auditor, KPMG LLP, and contain audit opinions that they present fairly, in all material respects, the financial position of Recology Sunset Scavenger, Recology Golden Gate, and/or Recology San Francisco. Statements for fiscal years 2018 and 2019 were prepared for Recology Sunset Scavenger/Recology Golden Gate and, separately, for Recology San Francisco. Statements for fiscal years 2020 and 2021 were prepared on a combined basis (financial results for all three entities), but transactions between Recology Sunset Scavenger/Recology Golden Gate and Recology San Francisco have been eliminated, resulting in revenue and expense figures that are lower than the sum of these amounts in the rate reports. See Schedule 1 for the operating expenses of Recology Sunset Scavenger/Recology Golden Gate and Schedule 2 for the operating expenses of Recology San Francisco.

Rate reports are filed by Recology pursuant to its reporting obligations in the 2017 Rate Application. The rate year begins July 1. Rate Year 2021, for instance, is July 1, 2020 through June 30, 2021. Rate reports are filed on a cumulative basis: the first quarterly report covers the three months from July 1 through September 30; the second quarterly report covers the six months from July 1 through December 31; the third quarterly report covers the nine months from July 1 through March 31; and the annual report covers the twelve months of the rate year ending June 30. Rate reports include projections, which are from the Rate Year 2018 projections in the 2017 Rate Application and are adjusted for COLA in subsequent years. The financial statements do not contain such projections. Rate reports are not prepared entirely on a GAAP basis but rather on the same basis as the rate application projections. Some amounts in the rate application projections and rate reports are reported in a different manner from the audited financial statements, such as pension costs. In addition, rate reporting requires different treatment for certain items, such as the Reserve Fund, Impound, and Zero Waste Incentive ("ZWI") accounts. As an example, the receipt of funds from the ZWI account to offset capital expenditures is reflected as revenue in the audited financial statements and is reported as a negative expense in the rate reports over the same period that the related depreciation and lease expense is recorded. As a result, the same item may be reported differently in a rate report than it is in a financial statement. In addition, the financial statements include balance sheets, statements of stockholder's equity, statements of cash flows, and footnotes, all of which are not required for rate reports.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO

(Wholly Owned Subsidiaries of Recology Inc.)

Combined Financial Statements and Supplementary Information

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Directors
Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and Recology San Francisco:

We have audited the accompanying combined financial statements of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco (wholly owned subsidiaries of Recology Inc.), which comprise the combined balance sheets as of September 30, 2021 and 2020, and the related combined statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco as of September 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information included in Schedules 1, 2, 3, and 4 is presented for the purpose of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

San Francisco, California
December 22, 2021

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Balance Sheets

September 30, 2021 and 2020

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	—	2,853,838
Restricted cash		10,014,119	6,900,246
Accounts receivable, less allowance for doubtful accounts of $725,074 and $320,786 for 2021 and 2020, respectively		51,936,701	50,346,282
Parts and supplies		4,011,236	4,012,639
Net assets held for sale		—	889,333
Prepaid expenses and other current assets		4,904,076	5,754,734
Total current assets		70,866,132	70,757,072
Property and equipment:			
Land		3,311,106	9,301,180
Buildings and improvements		42,724,451	41,532,725
Furniture and fixtures		1,054,349	916,446
Vehicles, containers, and operating equipment		35,817,487	34,891,908
Construction in progress		5,978,590	3,159,498
Total property and equipment		88,885,983	89,801,757
Less accumulated depreciation		45,340,591	39,476,332
Property and equipment, net		43,545,392	50,325,425
Permits		50,014,837	50,014,837
Goodwill, net of accumulated amortization of $15,952 and $13,958 in 2021 and 2020, respectively		3,988	5,982
Other assets		2,586,950	2,257,847
Total assets	$	167,017,299	173,361,163
Liabilities and Stockholder's Equity			
Current liabilities:			
Accounts payable	$	2,034,532	2,380,332
Accrued liabilities:			
Vacation and sick leave		3,936,082	3,963,823
Payroll and payroll taxes		3,892,071	3,650,637
Self-insurance and other accrued expenses		21,158,749	19,641,626
Zero waste incentive		10,234,601	6,900,246
Deferred revenue		10,164,015	10,417,411
Customer refund liability		737,351	83,188,845
Total current liabilities		52,157,401	130,142,920
Self-insurance and other noncurrent liabilities		23,915,561	33,837,423
Total liabilities		76,072,962	163,980,343
Commitments and contingencies			
Stockholder's equity, net		90,944,337	9,380,820
Total liabilities and stockholder's equity	$	167,017,299	173,361,163

See accompanying notes to combined financial statements.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Operations

Years ended September 30, 2021 and 2020

	2021	2020
Revenue:		
Commercial	$ 184,247,378	221,127,706
Residential	95,815,737	97,355,766
Apartments	78,468,001	78,618,551
Recycling	24,181,132	19,461,110
Disposal	10,176,363	10,711,620
Other	2,362,548	2,344,743
Revenue from affiliate	4,998	22,359
Refund to customer	(11,715,104)	(76,973,462)
	383,541,053	352,668,393
Less amounts reserved for impound and zero waste incentive accounts	(29,598,194)	(28,800,889)
Total operating revenue	353,942,859	323,867,504
Expenses:		
Refuse collection	115,627,737	112,544,031
Truck and garage	40,383,162	39,719,714
Debris box	12,981,320	15,183,966
Transfer station	62,099,331	63,682,953
Processing	37,676,186	38,023,651
Special waste	4,558,609	4,165,726
General recycling	18,610,547	19,002,746
General and administrative	64,990,941	86,855,762
Total operating expenses	356,927,833	379,178,549
Operating loss	(2,984,974)	(55,311,045)
Other income (expense):		
Interest expense	(3,269,141)	(6,216,551)
Rental and other income	266,603	344,297
Non-service pension and postretirement	5,548,969	854,014
Net loss	$ (438,543)	(60,329,285)

See accompanying notes to combined financial statements.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Stockholder's Equity

Years ended September 30, 2021 and 2020

		Total Stockholder's Investment
Balance, September 30, 2019	$	136,881,735
Net loss		(60,329,285)
Net distribution to Parent		(67,171,630)
Balance, September 30, 2020		9,380,820
Net loss		(438,543)
Net contribution from Parent		82,002,060
Balance, September 30, 2021	$	90,944,337

See accompanying notes to combined financial statements.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO

(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Cash Flows

Years ended September 30, 2021 and 2020

		Combined	
		2021	**2020**
Cash flows from operating activities:			
Net loss	$	(438,543)	(60,329,285)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		5,891,866	5,207,590
Provision for bad debts		534,520	298,023
Changes in assets and liabilities:			
Accounts receivable		(2,124,939)	6,980,370
Parts and supplies		1,403	(434,399)
Prepaid expenses and other assets		521,555	(3,379,540)
Accounts payable		(345,800)	(1,510,815)
Accrued liabilities		1,730,816	12,189,630
Zero waste incentive		3,334,355	(8,174,398)
Deferred revenues		(253,396)	906,219
Customer refund liability		(82,451,494)	83,188,845
Other noncurrent liabilities		(9,921,862)	33,372,592
Net cash (used in) provided by operating activities		(83,521,519)	68,314,832
Cash flows from financing activities:			
Contribution from (distribution to) Parent and affiliates		83,781,554	(73,635,392)
Net increase (decrease) in cash		260,035	(5,320,560)
Cash, cash equivalents, and restricted cash at beginning of year		9,754,084	15,074,644
Cash, cash equivalents, and restricted cash at end of year	$	10,014,119	9,754,084
Supplemental disclosure of noncash activities:			
Interest allocation from Parent	$	1,102	1,168
(Additions to) distributions of property and equipment (funded by) made to Parent		(1,779,494)	6,463,762

See accompanying notes to combined financial statements.

(1) Nature of Business

The accompanying financial statements are the combined statements of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco (the Company). Recology San Francisco is owned equally by Sunset Scavenger Company and Golden Gate Disposal & Recycling Company, which are wholly owned subsidiaries of Recology Inc. (the Parent or Recology), which in turn is wholly owned by the Recology Employee Stock Ownership Plan (the ESOP).

The Company provides solid waste, recyclables, and organics collection services in San Francisco. The Company's collection rates for residences and apartments are set by the Refuse Collection and Disposal Rate Board of the City and County of San Francisco (the Rate Board). The rates are set to allow the Company to recover its operating costs plus a return on those costs, with certain mandated exceptions. This rate setting process may result in the disallowance of certain costs and/or delays in cost recovery.

The Company filed a rate application to the Department of Public Works on February 13, 2017. On May 12, 2017, the Rate Board approved the 2017 San Francisco Rate Order (the Rate Order or 2017 Rate Order). The Rate Order approved the rates for the 2018 rate year (Rate Year 2018 began July 1, 2017) and annual cost of living adjustments (COLA) after the first year. The Rate Order includes the City's adoption of new rate structures for residential and apartment customers. The residential rate structure includes separate identification of fixed charges and volumetric charges on recycling and composting service. The apartment rate structure includes a fixed charge and a variable charge based on total service volume, with incentives to participate in recycling and composting collection programs. As a result of the Rate Order, the recycling incentive program for commercial customers was modified whereby 100% of the charges for containerized services are eligible for a diversion discount, equal to the percentage of recycling and compostable service volume to total service volume in excess of 25%, up to a maximum discount of 75%. The Company's operating results are affected by variation in its recycling revenue from the sale of recyclable commodities. The Company's recycling revenue can be volatile and fluctuate in accordance with changes in the recycling commodity mix and in the prices of recyclable commodities, which in turn are, in many cases, dependent on changes in worldwide supply of, and demand for, such recyclable commodities.

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. Both national and local government agencies have implemented steps with the intent to slow the spread of the virus, including shelter-in-place orders and the mandatory shutdown of certain businesses. During this time, the Company continued to provide essential services to customers. In mid-March 2020, certain customers began adjusting their service levels, which included a decrease in the frequency of pickups or a temporary pause in service. As service levels decreased, the Company also experienced a decrease in certain costs of operations which are variable in nature. This decline in service activity gradually improved thereafter as local economies began to gradually reopen and customers began to resume service. The full extent of the impact of the COVID-19 pandemic on the Company's operations and financial performance will depend on future developments, including the duration and spread of the pandemic, all of which are uncertain and cannot be predicted at this time.

(Continued)

(2) Summary of Significant Accounting Policies

(a) Principle of Combination

The Company eliminates intercompany transactions between the combined companies. Amounts due from or payable to the Parent and affiliates are accumulated by the Company during the year, and at year end, the net amount is settled by way of capital contributions from or distributions to the Parent.

(b) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these combined financial statements in conformity with accounting principles generally accepted in the United States of America. The more significant estimates requiring the judgment of management include valuation of intangible assets, allowances for accounts receivable, zero waste incentive accounting, and potential litigation, claims, and assessments. Actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Assets and liabilities that are considered to be financial instruments (such as accounts receivable, accounts payable, and accrued liabilities) are reported in the combined balance sheets at carrying values that approximate their fair value based on current market indicators and the short maturity of these instruments.

(d) Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash balances and highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents are principally comprised of cash invested in demand deposit accounts and money market instruments and are stated at cost plus accrued interest.

As of September 30, 2021, restricted cash consists of incentives for certain waste diversion and sustainability programs.

(e) Cash Concentration Account

The Company's bank accounts are linked to the Parent's concentration account. Cash balances (or deficits) at the end of each day are automatically transferred to (or from) the concentration account, so that at the end of any particular day, as well as at year-end, the Company's bank accounts have a zero balance, with related amounts debited or credited to the underlying intercompany account.

(f) Revenue Recognition and Accounts Receivable

The Company generally recognizes revenue when services are performed, or products are delivered in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. A significant amount of the Company's revenue is subject to rate regulation and adjustment in accordance with the Refuse Collection and Disposal Rate Board Resolution adopting the Department of Public Work Director's Recommendation Order (the Rate Order). Revenue recognition related to contractual diversion goals is based on the Company's estimation of the likelihood that it will reach those diversion goals.

Deferred revenue primarily consists of revenue billed in advance that is recorded as revenue in the period in which the related services are rendered. The Company makes certain payments to customers, payments to the Impound and Zero Waste Incentive Accounts, and payments to municipalities in the Company's refuse collection and recycling businesses, which reduce the amount of revenue recognized. The Company's receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Company estimates potentially uncollectible accounts based on several factors, including historical collection trends, existing economic conditions, and other factors. In certain instances, the Company can collect receivables through a lien process. Past-due receivable balances not subject to a lien process are written-off when the Company's internal collection efforts have been unsuccessful.

(g) Parts and Supplies

Parts and supplies consist of fuel, oil, tires, tubes, repair parts, containers, and bins are recorded at average cost and are expensed when utilized.

(h) Property and Equipment

Property and equipment, including major capital improvements, are stated at cost. It is the Company's policy to periodically review the estimated useful lives of its property and equipment. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	Estimated useful lives
Buildings	20–40 years
Leasehold improvements	Shorter of lease or useful life
Machinery and equipment	6–8 years
Furniture and fixtures	8 years
Vehicles	9 years
Containers	10 years

Depreciation expense on the above amounted to $5,889,872 and $5,205,596 for the years ended September 30, 2021 and 2020, respectively. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

(i) Assets Held for Sale

During 2020, the Parent entered into a sales agreement covering certain property and equipment owned by the Company. Net book value of this property and equipment was $889,333 and classified as assets held for sale at September 30, 2020. The property and equipment was sold in 2021. No impairment charge was recorded based on the sale price less costs to sell.

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A long-lived asset is considered impaired when the undiscounted cash flows from the asset or asset group is estimated to be less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. During the years ended September 30, 2021 and 2020, no impairment was recorded.

(k) Goodwill and Permits

When the Company acquires permits, the purchase price is allocated to the permits based upon their estimated fair value at the date of acquisition. The permits acquired are recorded and classified as intangible assets with an indefinite life. In addition, any consideration for an acquisition paid in excess of amounts allocated to the net assets acquired is included in goodwill.

The Company performs an assessment of intangible assets with indefinite lives for impairment at least annually. Amortizable intangible assets are evaluated for impairment when an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable based on undiscounted cash flows.

The Company amortizes goodwill on a straight-line basis over 10 years. The Company performs an assessment for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying amount.

(l) Income Taxes

The Parent is an S corporation with the Company electing to be treated as a Qualified Subchapter S corporation subsidiary. Under S corporation rules, the Parent’s taxable income and losses are passed through to the ESOP, the Parent’s sole shareholder, which is exempt from income tax, and the Company is treated as a division of the Parent having no separate income tax obligations. The Parent has not allocated the income tax expense to the Company.

The Company recognizes income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company’s accounting policy for evaluating uncertain tax positions is to accrue estimated benefits or obligations relating to those positions. The Company records interest related to unrecognized tax benefits as interest expense and penalties as an

(Continued)

administrative expense. For the years ended September 30, 2021 and 2020, there were no interest expenses or penalties recorded, because the Company had no uncertain tax positions that met the more-likely than-not threshold.

(m) Environmental Remediation Liabilities

The Company accrues for environmental remediation costs when they become probable and based on its best estimate within a range. If no amount within the range appears to be a better estimate than any other, the low end of such range is used. Remediation costs are estimated by environmental remediation professionals based upon site remediation plans they develop, working with regulatory agencies, and the Company's environmental staff and legal counsel. No environmental remediation liabilities were accrued at September 30, 2021 and 2020.

(n) Stockholder's Equity

Sunset Scavenger Company and Golden Gate Disposal & Recycling Company has 30,000 shares of common stock authorized and 12,304 shares issued and outstanding with no par value as of September 30, 2021 and 2020. Stockholder's equity, net, is comprised of the legal capital plus cumulative contributions net of distributions.

Recology San Francisco has 7,500 shares of common stock authorized, issued, and outstanding with no par value as of September 30, 2021 and 2020. All of these shares are held by Sunset Scavenger Company and Golden Gate Disposal & Recycling Company. Accordingly, Recology San Francisco's stockholder's equity eliminates in combination.

(o) Allocations

The Company includes allocated charges from the Parent and its affiliates in operating and other expenses. The charges are allocated by applying activity appropriate factors to direct and indirect costs of the Parent and its affiliates or based on established fees.

(p) New Accounting Standards

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. ASU 2018-14 is effective for the Company for fiscal years beginning after December 15, 2021. The Company is assessing the potential impact of implementing this new accounting standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current

(Continued)

operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard is effective for private companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The Company expects to early adopt the new standard as of October 1, 2021 using a modified retrospective transition and will consider certain permitted practical expedients. The Company has assessed the potential impact of implementing this new accounting standard on its combined financial statements and the Company anticipates recording a right of use asset and related lease liability on the combined balance sheets in the range of approximately $8.9 million to $9.3 million each, with no impact to net income.

(3) Regulatory and Contractual Obligations

The Reserve Fund is a fund to be used for extraordinary expenses relating to the Waste Disposal Agreement between the City and County of San Francisco, Recology San Francisco, and Recology Hay Road. The Company is required to fund this account with $2,000,000 of annual transfers, with the last of these transfers occurring in the beginning of Rate Year 2020. The Company's deposits into the Reserve Fund are not reported as assets or liabilities of the Company.

The Impound Account is a restricted bank account held jointly by Recology San Francisco and the City and County of San Francisco and used by the City and County to cover certain waste management and diversion expenses. The Company contributed $21,578,366 during the year ended September 30, 2021 and $21,143,664 during the year ended September 30, 2020 to the Impound Account. The Company's deposits into the Impound Account are not reported as assets or liabilities of the Company.

In addition, the Company is responsible for administering the Recology San Francisco Zero Waste Incentive Account (ZWIA). In order to help the City meet state-mandated recycling goals, the Company, has the opportunity to earn a higher level of profit beyond that normally allowed for in the Rate Order by meeting tonnage goals for diversion of materials. The 2017 Rate Order established zero waste diversion goals based on disposal tons at four tiers to cover the rate year ended June 30, 2018 through rate year ending June 30, 2022. The revenue collected by the Company is based on the maximum reward level of profit as stated in the respective Rate Order. The incentive revenue recognized by the Company is based on the estimate of the level of incentive to be achieved during each respective rate year. The incremental billings generated from the Company resulting from the additional reward level of profit are deposited on a monthly basis into the ZWIA. If the Company meets or exceeds the diversion goals for the rate year, then the funds deposited into the account may be withdrawn by the Company as the incentive reward after the conclusion of the rate year. If the goal for the rate year is not achieved, then the funds from that year will remain in the account and will be used to offset future rate increases. The amounts deposited for both rate years ended June 30, 2021 and 2020 are included in restricted cash. The portion of the diversion goals achieved is recognized as revenue and the unachieved portion is included in accrued liabilities. The Company deposited $8,019,828 and $7,794,352 from cash receipts into the ZWIA for the years ended September 30, 2021 and 2020, respectively.

The Company did not achieve any of the diversion goals for the rate years ended June 30, 2021 or 2020, does not expect to achieve any of the incentive goals for the rate year ending June 30, 2022 and did not recognize any of the corresponding incremental revenue.

The Company may obtain approval from the City and County of San Francisco to use ZWIA funds for diversion programs. During fiscal 2020, the Company proposed multiple diversion programs that were approved and completed. As a result, the Company recognized $820,853 and $7,520,874 in Zero Waste Incentive revenue during fiscal 2021 and 2020, respectively.

(4) Employee Stock Ownership Plan

In 1986, the Parent established an ESOP, which purchased all of the Parent's outstanding stock. The ESOP covers most of the employees of the Company and is noncontributory. Employees, except under certain conditions, become fully vested after a requirement of three years of service. Benefits, in the form of Parent company stock, are allocated to an employee's account based on a number of factors, including contributions, forfeitures, income, and changes in the underlying value of the Parent company stock.

All benefit distributions are made from the ESOP in cash, which is received from the Parent, or shares, subject to immediate repurchase by the Parent. A participant who is vested is entitled to begin receiving a distribution from his or her ESOP account at a future date following his or her termination of employment. Distributions may be made in a lump sum, equal annual installments over a period generally not to exceed five years or a combination of the foregoing, generally as determined by the ESOP Administrative Committee subject to certain limitations under the ESOP. Each participant who has attained age 55 and has participated in the ESOP for at least 10 years may elect to receive cash distributions for in-service withdrawals attributable to post-1986 shares allocated to his or her account. An eligible participant is entitled to elect payment attributable to as much as 25% of his or her eligible shares during the first five years of election and up to 50% of eligible shares in the sixth year.

Presently, the Parent makes cash contributions to fund certain of the ESOP benefit distributions. Shares attributable to those benefit distributions are reallocated within the ESOP among active participants. The Parent's common stock is not traded on an established market. The fair market value of the shares as of the most recently completed fiscal year-end is used for the next years' ESOP benefit distributions.

(5) Employee Benefit Plans

The Company participates in a noncontributory, funded defined benefit pension plan (the Plan) sponsored by its Parent for the benefit of nonunion employees. Benefits are based on a formula that includes years of service and average compensation. As of September 30, 2021, and 2020, the Plan, of which certain of the Company's employees are participants, had a projected benefit obligation in excess of plan assets by approximately $16.4 million and $50.6 million, respectively. The Company's financial statements do not reflect the Company's share of the projected benefit obligation in excess of plan assets. It is the Parent's current policy to contribute at least the minimum statutory required amount.

The Company's pension expense under the Plan for the years ended September 30, 2021 and 2020 was $13,606,159 and $16,990,881, respectively, which represents an allocation of approximately 93% and 89% of the Parent's plan expense for the years ended September 30, 2021 and 2020, respectively.

The weighted average discount rate used by the Parent to determine pension expense under the Plan was 3.44% and 3.51% for the years ended September 30, 2021 and 2020, respectively. The expected long-term rate of return on assets was 6.75% for both years ended September 30, 2021 and 2020. The rate of increase in future compensation levels used in determining the benefit obligations was 4% for both years ended September 30, 2021 and 2020. The Company's portions of the actuarially computed value of the vested and non-vested benefits of the Plan and the union plan and the net assets of the related pension plan funds have not been determined.

In connection with the ESOP's purchase of stock from certain former employee-shareholders, the Parent has agreed to provide those former employee-shareholders with lifetime postretirement medical benefits subject to certain conditions. In addition, certain union employees are eligible for postretirement medical benefits as part of an early retirement program when they reach certain eligibility criteria.

Recology recognizes postretirement medical benefits in the combined financial statements over the term of the affected employee's service with Recology. The postretirement medical benefit plan is unfunded. As of September 30, 2021, and 2020, the Plan, of which the Company's employees are participants, has a projected benefit obligation of approximately $33.3 million and $33.6 million, respectively. The Company's combined financial statements do not reflect the Company's share of the projected benefit obligation.

The postretirement medical income for Parent and all of its affiliates for the years ended September 30, 2021 and 2020 was $3.9 million and $3.6 million, respectively.

The weighted average discount rate used by the Parent to determine postretirement medical expense was 3.08% and 3.47% for the years ended September 30, 2021 and 2020, respectively. The Parent expects its healthcare cost trend for postretirement medical benefits to decrease from 6.50% in 2021 to 5.00% in 2026, after which the rate is expected to stabilize.

Certain of the Company's union employees are participants in a union-sponsored multiemployer defined-benefit pension plan. The risks of participating in this multiemployer plan are different from single-employer plans in that (i) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be required to be assumed by the remaining participating employers; and (iii) if the Company chooses to stop participating in any of the multiemployer plans, the Company may be required to pay those plans a withdrawal amount on the underfunded status of the Plan. Pension cost charged to expense under these plans for the years ended September 30, 2021 and 2020 was $1,088,843 and $1,095,049 respectively. The Company's portion of the actuarially computed value of the vested and nonvested benefits of the plans and the net assets of the pension funds has not been determined.

The following table outlines the Company's participation in multiemployer plans:

Pension fund (1)/Employer identification number/plan number	Pension protection act reported	Fund Improvement plan/ Rehabilitation	Contributions (in millions) 2021	2020	Expiration date of collective bargaining agreement
Pension Trust Fund for Operating Engineers/94-6090764/001	Endangered	Implemented	$ 1,088,843	1,095,049	Various through December 31, 2021

(1) The Company paid no surcharges for multi-employer pension funds during the year ended September 30, 2021.

The most recent Pension Protection Act zone status available as of September 30, 2021 is for the Plan's year-end at December 31, 2020. The zone status is based on information that the Company received from the Plan and is certified by the Plan's actuary. As defined in the Pension Protection Act of 2006, among other factors, plans reported as critical are generally less than 65% funded, plans seriously endangered are less than 80% funded and have an accumulated funding deficiency for the current plan year or a projected accumulated funding deficiency for any of the next six years, and plans reported as endangered are generally less than 80% funded.

The Company agreed to allow certain union employees to participate in a multiemployer union-sponsored postretirement medical plan. The Company contributed $9,392,361 and $8,992,433 into the multiemployer union postretirement plan during the years ended September 30, 2021 and 2020, respectively. The Company, through plans managed by the Parent, also sponsors a defined contribution plan, the Recology 401(k) Plan, for certain eligible employees of the Company. The Company made matching contributions equal to a specified percentage of each participant's annual contributions amounting to $327,728 and $330,474 for the years ended September 30, 2021 and 2020, respectively.

(6) Self-Insurance

The Company, through plans managed by the Parent, is self-insured for various risks of loss related to general liability, automobile liability, property damage, employee and certain retiree healthcare, and workers' compensation. The Parent establishes a reserve for self-insured claims based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to the reserve are charged or credited to the Parent's expense in the periods on which they are determined to be necessary. The Parent also purchases commercial insurance on behalf of the Company and other subsidiaries to cover risks above set limits. The Company was allocated expenses of $47,982,109 and $42,618,990 for the years ended September 30, 2021 and 2020, respectively, for the cost of self-insured programs, including certain reserve adjustments. The Company's share of the self-insurance reserve is ultimately reflected as a liability of the Parent.

(7) Commitments and Contingencies

Substantially all of the assets of the Company are pledged to secure the obligations of the Parent. The Company, along with the Parent and the Parent's wholly owned subsidiaries, has guaranteed the repayment, on a joint and several basis, of any and all obligations under the Parent's Revolving Credit Agreement. The Company could be required to honor the guarantee upon an uncured default event, as defined in the Parent's Revolving Credit Agreement. The Parent's Revolving Credit Agreement expires in December 2026. At September 30, 2021, there was an outstanding balance of $262.0 million on the Parent's Revolving Credit Agreement and there were standby letters of credit issued for $111.2 million. The Parent has represented to the Company that it is in compliance with all covenants of the Revolving Credit Agreement.

The Company, along with the Parent and the Parent's wholly owned subsidiaries, has guaranteed the payment of amounts owed to unrelated third parties, which provided the equipment financing to affiliates of the Company. The affiliates are obligated to the unrelated third parties with various expiration dates through June 2027. At September 30, 2021, the outstanding principal on the financed equipment recorded by the affiliates was $37.7 million.

The net book value of the equipment financed by an affiliate and utilized by the Company at September 30, 2021 was $11.4 million.

As of September 30, 2021, approximately 86.5% of the Company's employees were subject to collective bargaining agreements, which expire on December 31, 2022.

The Parent and its subsidiaries, including the Company, are subject to various laws and regulations relating to the protection of the environment. It is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts. The Parent has environmental impairment liability insurance, which covers the sudden or gradual onset of environmental damage to third parties, on all owned and operated facilities. In the opinion of management, compliance with present environmental protection laws will not have a material adverse effect on the results of operations of the Company, provided that costs are substantially covered in the Company's rates on a timely basis.

The Company and the Parent are involved in various legal actions or claims arising in the normal course of business. It is the Company's opinion that these matters are adequately provided for or that the resolution of such matters will not have a material adverse impact on the financial position or results of operations of the Company or the Parent.

On February 2, 2021, a putative class action complaint was filed against the Company asserting violations of California's Unfair Competition Laws, alleging that San Francisco ratepayers had been overcharged for waste collection fees due to allegedly improper payments to San Francisco public officials. On May 20, 2021, plaintiffs filed an amended complaint, adding causes of action for alleged violations of California's Consumer Legal Remedies Act, fraud, and breach of contract. In this amended complaint, Plaintiffs seek monetary damages of an unspecified amount and injunctive relief. The Company has filed a demurrer to each of the causes of action asserted in the amended complaint. As of the balance sheet date, the

Company cannot reasonably estimate a monetary outcome of this litigation and thus no amounts have been accrued on the combined balance sheets.

On March 3, 2021 a settlement agreement was entered into between the SF Recology Companies and the San Francisco City Attorney's Office. The settlement was related to an omission in the 2017 SF rate application and other alleged violations of the California Unfair Competition Law and San Francisco Campaign and Government Conduct Code. The key terms of the settlement are summarized below (in thousands):

Component of Settlement		**Amount**
Omission error	$	86,600
Interest on the above amount		7,920
Settlement payment		7,000
Total	$	101,520

The components of this settlement have been allocated among the financial statement captions and fiscal years to which they relate. This allocation is summarized below for the years ending September 30, 2021 and 2020, and in total (in thousands):

		2021	**2020**	**Total**
Reduction of revenue	$	11,138	75,462	86,600
General and administrative expense		—	7,000	7,000
Interest expense		1,912	6,008	7,920
Total	$	13,050	88,470	101,520

Federal criminal complaints were filed against two former employees in U.S. District Court for the Northern District of California on November 18, 2020 and on April 15, 2021. On September 9, 2021, the SF Recology Companies and Recology Inc. entered into a deferred prosecution agreement with the U.S. Attorney's Office to resolve an investigation arising from the SF Recology Companies' actions related to the San Francisco Department of Public Works. Under the agreement, the SF Recology Companies agreed to pay a fine of $36 million, consisting of $29 million to be paid in three installments to the United States Treasury and a credit for the $7 million paid to the City and County of San Francisco in connection with the earlier settlement, as described above. Because this agreement was reached before the September 30, 2020 financial statements were issued, the net $29 million fine owed to the United States Treasury is included in fiscal 2020 general and administrative expenses.

The $7 million settlement amount due to the City and County of San Francisco was paid in full by the Company on September 13, 2021 and the first installment of $9 million due to the United States Treasury was paid by the company on October 25, 2021. As of September 30, 2021 and 2020, $9 million and $7 million of the amount due to the United States Treasury is included in other current liabilities, and the remaining $20 million and $29 million is included in other liabilities in the accompanying combined balance sheets, respectively.

(8) Equipment and Property Obligations

The Company has cancelable operating lease agreements with affiliates that have one year terms, whereby it pays for use of certain operating equipment and property. In addition, the Company has noncancelable building and equipment operating leases with unrelated third parties. Future payments for continued use of the leased equipment and property with non-cancelable terms with unrelated third parties, by year-end and in aggregate, as of September 30, 2021 are as follows:

		Equipment	Real property	Total
Year ending September 30:				
2022	$	93,852	4,475,236	4,569,088
2023		93,246	3,451,092	3,544,338
2024		87,599	369,882	457,481
2025		52,614	380,979	433,593
2026		12,546	292,113	304,659
Total payments	$	339,857	8,969,302	9,309,159

The Company's rent expense for the years ended September 30, 2021 and 2020 was $35,484,599 and $30,760,165 respectively, including amounts under short -term rental agreements with third parties.

Under the terms of the agreements with an affiliate, and in accordance with existing rate policies, the Company may continue to use certain equipment under operating leases without a related payment once the affiliates' equipment cost and related interest have been funded through operating lease payments.

In November 2020, the Company entered into a sales-leaseback transaction with a third party related to the sale of a property located in San Francisco, California that would allow the Company to lease the property back for up to two years. The Company leased the property for one year from the third party for the period from December 2020 through 2021. The rent obligation was recorded as prepaid rent with a corresponding increase in the gain recognized on the sale. As of September 30, 2021, $1.2 million of remaining prepaid rent is included in prepaid expenses on the combined balance sheets to be amortized over two months in the following fiscal year.

(9) Transactions with Related Parties

During the years ended September 30, 2021 and 2020, operating expenses and other income of the Company included the following charges by or (to) the Parent and its affiliates. Such charges are based on the direct and indirect costs of the Parent and its affiliates, or established fees, and are allocated using factors based on specific activities. The allocated charges were as follows:

	2021	2020
Parent:		
Health insurance	$ 27,890,193	26,310,112
Workers' compensation	10,946,453	10,763,439
Pension	13,606,159	16,990,881
Postretirement medical income	(3,987,406)	(3,779,014)
General and vehicle insurance	9,145,463	5,545,439
Corporate services	7,958,981	6,904,042
Information technology services	5,458,998	4,510,995
	71,018,841	67,245,894
Affiliates:		
Property rental	2,760,163	3,495,604
Equipment rental	20,969,000	19,739,540
Disposal/organics processing	23,736,652	26,349,466
	47,465,815	49,584,610
Total	$ 118,484,656	116,830,504

Contributions from or distributions to Parent and its affiliates are presented as financing activities in the combined statements of cash flows, except expenditures attributable to property and equipment, which are presented as supplemental noncash investing activities.

The Company incurred losses in recent years and is dependent on credit support from the Parent. As such, Recology, Inc. has committed to fund the liquidity and capital needed to support the Company's obligations for a period of at least twelve months following the issuance of the financial statements.

(10) Subsequent Events

The Company has evaluated its subsequent events through December 22, 2021, which is the date the combined financial statements were available to be issued, and determined there were no other items to be disclosed.

Schedule 1

SUNSET SCAVENGER COMPANY
GOLDEN GATE DISPOSAL AND RECYCLING COMPANY
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Schedule of Operating Expenses

Year ended September 30, 2021

	Refuse collection	Truck and garage	Debris box	General and administrative	Total
Operating expenses:					
Salaries and wages	$ 60,458,631	9,685,178	5,856,614	3,881,557	79,881,980
Payroll taxes	4,787,991	662,732	422,958	283,788	6,157,469
Pension and 401(k)	7,798,060	1,182,366	766,386	406,151	10,152,963
Health insurance	13,758,392	1,848,430	1,164,789	663,571	17,435,182
Workers' compensation	6,280,149	920,144	543,375	62,528	7,806,196
O/S postretirement benefits expense	4,734,301	711,984	397,152	10,868	5,854,305
Temporary labor and subcontractor costs	401,165	—	—	309	401,474
General and vehicle Insurance	11,136	1,570,846	—	4,719,188	6,301,170
Disposal charges	67,907,043	59,525	12,133,061	—	80,099,629
Equipment rental	12,272,960	677,020	1,807,676	93,742	14,851,398
Property rental	—	378,653	—	5,479,421	5,858,074
Supplies	637,349	1,125,531	976,720	528,430	3,268,030
Repairs expense	826,123	900,343	207,830	28,701	1,962,997
Parts, tires, and tubes	2,127	3,538,338	1,050	—	3,541,515
Fuel and oil	34,816	3,832,009	—	—	3,866,825
Buildings and facilities	154,544	105,919	38,019	318,969	617,451
Security and janitorial	76,809	63,736	2,597	612,550	755,692
Licenses and permits	1,595,215	235,704	569,312	21,626	2,421,857
Utilities	(691)	514,582	2,964	373,997	890,852
Freight	5,507	53,826	2,470	813	62,616
Recycling processing	24,374,313	—	—	—	24,374,313
Professional services	107,116	95,895	17,120	980,407	1,200,538
Provision for bad debt	311,494	—	—	162,009	473,503
Business meals, travel and entertainment	6,486	188	3,934	20,336	30,944
Office expense	144,948	21,942	19,156	655,188	841,234
Telephone	65,796	21,013	12,362	378,509	477,680
Dues and subscriptions	310	1,771	—	372,083	374,164
Postage	—	—	—	284,130	284,130
Projects	917,927	87,382	76,055	8,773,254	9,854,618
Taxes	3	—	—	5,482,078	5,482,081
Corporate management fees	—	—	—	12,788,690	12,788,690
Other expense	83,914	7,097	304	1,927,025	2,018,340
Depreciation	155,159	552,683	92,477	147,887	948,206
Amortization expense	—	—	—	1,994	1,994
Total operating expenses	$ 207,909,093	28,854,837	25,114,381	49,459,799	311,338,110

See accompanying independent auditors' report.

Schedule 2

RECOLOGY SAN FRANCISCO
(An Indirect Wholly Owned Subsidiary of Recology Inc.)

Schedule of Operating Expenses

Year ended September 30, 2021

	Transfer station	Processing	Truck and garage	Special waste	General recycling	General and administrative	Total
Operating expenses:							
Salaries and wages	$ 16,377,288	13,578,336	3,162,069	1,884,403	4,931,120	1,813,340	41,746,556
Payroll taxes	1,254,080	1,146,286	237,410	151,628	427,989	134,993	3,352,386
Health insurance	3,651,240	3,655,529	777,477	499,705	1,513,175	357,885	10,455,011
Workers' compensation	1,227,726	1,105,492	229,997	144,682	412,538	19,822	3,140,257
Pension and 401(k)	2,613,149	2,021,984	596,682	255,387	766,603	177,347	6,431,152
Postretirement medical benefits expense	—	—	—	—	—	3,538,056	3,538,056
Provision for bad debt	—	—	—	—	—	61,017	61,017
Advertising and promotion, donations, dues and subscriptions	—	—	—	703	—	26,735	27,438
Buildings and facilities	160,833	421,579	274,597	12,952	226,492	39,116	1,135,569
Business meals, travel and entertainment	1,699	3,267	309	2,509	25,123	4,280	37,187
Corporate management fees	—	—	—	—	—	629,289	629,289
Depreciation	800,235	2,798,672	47,618	45,875	1,030,478	218,787	4,941,665
Disposal charges	22,759,852	2,858	101,227	670,354	1,603,528	5,518	25,143,337
Equipment rental	2,443,228	1,788,166	1,116,779	9,374	1,752,056	21,020	7,130,623
Freight	2,094	44,038	17,866	1,939	1,917,323	282	1,983,542
Fuel and oil	—	190,670	2,534,715	—	27,732	(1,163)	2,751,954
General and vehicle insurance	2,145,671	—	261,984	436,639	—	—	2,844,294
Licenses and permits	4,052,295	55,343	41,061	2,766	99,485	9,855	4,260,805
Office expenses	12,365	46,305	7,090	13,698	15,512	149,567	244,537
Other expense	984,453	(108)	—	—	—	172,899	1,157,244
Parts, tires, and tubes	10,597	790,072	1,261,568	—	12,050	256	2,074,543
Professional services	73,042	31,703	1,460	42,446	655,907	954,895	1,759,453
Projects	629,482	332,557	23,754	35,631	166,278	3,685,090	4,872,792
Property rental	1,638,011	4,229,629	66,246	—	1,319,795	390,824	7,644,505
Recycling processing	—	1,786,311	—	—	—	—	1,786,311
Regional management expense	—	—	—	—	140,192	183,639	323,831
Repairs expense	125,896	192,056	444,536	4,614	116,083	12,764	895,949
Security and janitorial	2,005	566,467	2,611	—	96,284	611,257	1,278,624
Supplies	434,435	909,155	282,108	273,940	610,766	30,778	2,541,182
Taxes	1,787	1,034,453	—	—	47,051	2,016,916	3,100,207
Telephone	9,146	25,032	8,231	19,687	10,490	206,386	278,972
Temporary labor and subcontractor costs	—	4,358	—	—	316,448	24,866	345,672
Utilities	688,722	915,976	37,493	49,677	370,049	34,826	2,096,743
Total operating expenses	$ 62,099,331	37,676,186	11,534,888	4,558,609	18,610,547	15,531,142	150,010,703

See accompanying independent auditors' report.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Balance Sheets

September 30, 2021 and 2020

	SSGG		RSF							
Assets	**2021**	**2020**	**2021**	**2020**	**Combined**	**Eliminations**	**2021**	**Combined**	**Eliminations**	**2020**
Current assets:										
Cash and cash equivalents	$ —	—	—	2,853,838	—	—	—	2,853,838	—	2,853,838
Restricted cash	—	—	10,014,119	6,900,246	10,014,119	—	10,014,119	6,900,246	—	6,900,246
Accounts receivable, less allowance for doubtful accounts of $725,074 and $320,786 for 2021 and 2020, respectively	44,919,814	46,287,716	7,016,887	4,058,566	51,936,701	—	51,936,701	50,346,282	—	50,346,282
Parts and supplies	1,715,317	2,016,241	2,295,919	1,996,398	4,011,236	—	4,011,236	4,012,639	—	4,012,639
Net assets held for sale	—	889,333			—	—	—	889,333	—	889,333
Prepaid expenses and other current assets	3,301,699	3,624,040	1,602,377	2,130,694	4,904,076	—	4,904,076	5,754,734	—	5,754,734
Total current assets	49,936,830	52,817,330	20,929,302	17,939,742	70,866,132	—	70,866,132	70,757,072	—	70,757,072
Property and equipment:										
Land	—	—	3,311,106	9,301,180	3,311,106	—	3,311,106	9,301,180	—	9,301,180
Buildings and improvements	10,612,318	9,936,809	32,112,133	31,595,916	42,724,451	—	42,724,451	41,532,725	—	41,532,725
Furniture and fixtures	773,117	635,214	281,232	281,232	1,054,349	—	1,054,349	916,446	—	916,446
Vehicles, containers, and operating equipment	1,928,452	1,871,710	33,889,035	33,020,198	35,817,487	—	35,817,487	34,891,908	—	34,891,908
Construction in progress	526,579	205,991	5,452,011	2,953,507	5,978,590	—	5,978,590	3,159,498	—	3,159,498
Total property and equipment	13,840,466	12,649,724	75,045,517	77,152,033	88,885,983	—	88,885,983	89,801,757	—	89,801,757
Less accumulated depreciation	6,675,228	5,752,634	38,665,363	33,723,698	45,340,591	—	45,340,591	39,476,332	—	39,476,332
Property and equipment, net	7,165,238	6,897,090	36,380,154	43,428,335	43,545,392	—	43,545,392	50,325,425	—	50,325,425
Permits	50,014,837	50,014,837	—	—	50,014,837	—	50,014,837	50,014,837	—	50,014,837
Goodwill, net of accumulated amortization of $15,952 and $13,958 in 2021 and 2020, respectively	3,988	5,982	—	—	3,988	—	3,988	5,982	—	5,982
Investment in Recology San Francisco	28,832,149	30,201,975	—	—	28,832,149	(28,832,149)	—	30,201,975	(30,201,975)	—
Other assets	1,253,671	1,077,732	1,333,279	1,180,115	2,586,950	—	2,586,950	2,257,847	—	2,257,847
Total assets	$ 137,206,713	141,014,946	58,642,735	62,548,192	195,849,448	(28,832,149)	167,017,299	203,563,138	(30,201,975)	173,361,163
Liabilities and Stockholder's Equity										
Current liabilities:										
Accounts payable	$ 1,187,331	622,044	847,201	1,758,288	2,034,532	—	2,034,532	2,380,332	—	2,380,332
Accrued liabilities:										
Vacation and sick leave	2,380,824	2,462,730	1,555,258	1,501,093	3,936,082	—	3,936,082	3,963,823	—	3,963,823
Payroll and payroll taxes	2,684,133	2,486,152	1,207,938	1,164,485	3,892,071	—	3,892,071	3,650,637	—	3,650,637
Self-insurance and other accrued expenses	12,924,986	9,890,508	8,233,763	9,751,118	21,158,749	—	21,158,749	19,641,626	—	19,641,626
Zero waste incentive	—	—	10,234,601	6,900,246	10,234,601	—	10,234,601	6,900,246	—	6,900,246
Deferred revenue	10,154,618	10,407,151	9,397	10,260	10,164,015	—	10,164,015	10,417,411	—	10,417,411
Customer Refund Liability	737,351	83,188,845	—	—	737,351	—	737,351	83,188,845		83,188,845
Total current liabilities	30,069,243	109,057,430	22,088,158	21,085,490	52,157,401	—	52,157,401	130,142,920	—	130,142,920
Self-insurance and other noncurrent liabilities	16,193,133	22,576,696	7,722,428	11,260,727	23,915,561	—	23,915,561	33,837,423	—	33,837,423
Total liabilities	46,262,376	131,634,126	29,810,586	32,346,217	76,072,962	—	76,072,962	163,980,343	—	163,980,343
Commitments and contingencies										
Stockholder's equity, net	90,944,337	9,380,820	28,832,149	30,201,975	119,776,486	(28,832,149)	90,944,337	39,582,795	(30,201,975)	9,380,820
Total liabilities and stockholder's equity	$ 137,206,713	141,014,946	58,642,735	62,548,192	195,849,448	(28,832,149)	167,017,299	203,563,138	(30,201,975)	173,361,163

See accompanying independent auditors' report.

Schedule 4

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Income

Years ended September 30, 2021 and 2020

	SSGG		RSF		2021			2020		
	2021	2020	2021	2020	Combined	Eliminations	2021	Combined	Eliminations	2020
Revenue:										
Commercial	$ 176,328,871	207,229,644	7,918,507	13,898,062	184,247,378	—	184,247,378	221,127,706	—	221,127,706
Residential	95,815,737	97,355,766	—	—	95,815,737	—	95,815,737	97,355,766	—	97,355,766
Apartments	78,468,001	78,618,551	—	—	78,468,001	—	78,468,001	78,618,551	—	78,618,551
Recycling	1,767	1,447,518	48,553,678	44,054,883	48,555,445	(24,374,313)	24,181,132	45,502,401	(26,041,291)	19,461,110
Disposal	—	—	10,176,363	10,711,620	10,176,363	—	10,176,363	10,711,620	—	10,711,620
Other	2,340,472	2,321,017	22,076	23,726	2,362,548	—	2,362,548	2,344,743	—	2,344,743
Revenue from affiliate	2,695	25,804	80,048,970	87,122,669	80,051,665	(80,046,667)	4,998	87,148,473	(87,126,114)	22,359
Refund to Customer	(11,715,104)	(76,973,462)	—	—	(11,715,104)	—	(11,715,104)	(76,973,462)	—	(76,973,462)
	341,242,439	310,024,838	146,719,594	155,810,960	487,962,033	(104,420,980)	383,541,053	465,835,798	(113,167,405)	352,668,393
Less amounts reserved for impound and zero waste incentive accounts	(26,515,922)	(25,813,247)	(3,082,272)	(2,987,642)	(29,598,194)	—	(29,598,194)	(28,800,889)	—	(28,800,889)
Total operating revenue	314,726,517	284,211,591	143,637,322	152,823,318	458,363,839	(104,420,980)	353,942,859	437,034,909	(113,167,405)	323,867,504
Expenses:										
Refuse collection	207,909,093	207,895,269	—	—	207,909,093	(92,281,356)	115,627,737	207,895,269	(95,351,238)	112,544,031
Truck and garage	28,854,837	28,485,616	11,534,888	11,242,475	40,389,725	(6,563)	40,383,162	39,728,091	(8,377)	39,719,714
Debris box	25,114,381	32,991,756	—	—	25,114,381	(12,133,061)	12,981,320	32,991,756	(17,807,790)	15,183,966
Transfer Station	—	—	62,099,331	63,682,953	62,099,331	—	62,099,331	63,682,953	—	63,682,953
Processing	—	—	37,676,186	38,023,651	37,676,186	—	37,676,186	38,023,651	—	38,023,651
Special Waste	—	—	4,558,609	4,165,726	4,558,609	—	4,558,609	4,165,726	—	4,165,726
General Recycling	—	—	18,610,547	19,002,746	18,610,547	—	18,610,547	19,002,746	—	19,002,746
General and administrative	49,459,799	59,474,575	15,531,142	27,381,187	64,990,941	—	64,990,941	86,855,762	—	86,855,762
Total operating expenses	311,338,110	328,847,216	150,010,703	163,498,738	461,348,813	(104,420,980)	356,927,833	492,345,954	(113,167,405)	379,178,549
Operating income (loss)	3,388,407	(44,635,625)	(6,373,381)	(10,675,420)	(2,984,974)	—	(2,984,974)	(55,311,045)	—	(55,311,045)
Other income (expense):										
Recology San Francisco, net income share	(4,488,179)	(10,053,418)	—	—	(4,488,179)	4,488,179	—	(10,053,418)	10,053,418	—
Interest Expense	(3,268,039)	(6,215,383)	(1,102)	(1,168)	(3,269,141)	—	(3,269,141)	(6,216,551)	—	(6,216,551)
Rental and Other Income	234,393	297,540	32,210	46,757	266,603	—	266,603	344,297	—	344,297
Non-service pension and postretirement	3,694,875	277,601	1,854,094	576,413	5,548,969	—	5,548,969	854,014	—	854,014
Net (loss)	$ (438,543)	(60,329,285)	(4,488,179)	(10,053,418)	(4,926,722)	4,488,179	(438,543)	(70,382,703)	10,053,418	(60,329,285)

See accompanying independent auditors' report.