

**The Crowsnest/Pincher Creek
Landfill Association
Financial Statements**

For the year ended December 31, 2010



The Crowsnest/Pincher Creek
Landfill Association

Contents

For the year ended December 31, 2010

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Management's Responsibility

To the Directors of Crowsnest/Pincher Creek Landfill Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 18, 2011


Director


Director

Independent Auditors' Report

To the Directors of Crowsnest/Pincher Creek Landfill Association:

We have audited the accompanying financial statements of Crowsnest/Pincher Creek Landfill Association, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Crowsnest/Pincher Creek Landfill Association as at December 31, 2010 and the results of its operations, changes in members' equity and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta

May 18, 2011

Meyers Norris Penny LLP

Chartered Accountants

**The Crowsnest/Pincher Creek
Landfill Association**
Statement of Financial Position
As at December 31, 2010

2010 2009

Assets

Current

Cash	106,799	230,321
Accounts receivable	445,067	415,545
Prepaid expense	11,785	-
Current portion of term deposits (Note 3)	281,788	343,704

845,439 989,570

Term deposits (Note 3)

1,304,942 1,195,028

Tangible capital assets (Note 4)

1,831,001 1,306,544

3,981,382 3,491,142

Liabilities

Current

Accounts payable and accruals	139,382	88,513
Current portion of capital lease obligations (Note 6)	183,670	183,666

323,052 272,179

Capital lease obligations (Note 6)

168,359 352,029

Landfill closure and post-closure liability (Note 7)

822,456 779,967

1,313,867 1,404,175

Commitments (Note 11)

Members' equity

Capital fund	1,478,973	770,849
Operating fund	1,188,542	1,316,118

2,667,515 2,086,967

3,981,382 3,491,142

Approved on behalf of the Board


Director


Director

The accompanying notes are an integral part of these financial statements



**The Crowsnest/Pincher Creek
Landfill Association
Statement of Operations**

For the year ended December 31, 2010

	2010 Budget	2010	2009
Revenue			
Domestic and industrial waste disposal fees (Note 8)	1,049,240	1,335,108	1,144,227
Out of region disposal fees (Note 8)	772,200	653,652	198,681
Land lease	1,400	1,400	1,500
Road maintenance fees	41,500	47,158	29,046
Freon disposal	6,000	8,960	7,040
Investment income	45,000	49,106	46,818
Sale of scrap and miscellaneous	7,500	56,497	2,957
Electronics recycling fees	6,000	7,236	6,657
Paint recycling incentive program	2,500	1,751	3,108
Gain on disposal of tangible capital assets	25,000	6,140	53,974
	1,956,340	2,167,008	1,494,008
Expenses			
Amortization	-	431,635	323,822
CCS Landfill Services - 25% share	93,750	160,955	109,122
Dust control expense	28,000	16,500	13,750
Freon removal	4,200	4,620	4,080
Fuel and oil	53,000	85,663	55,783
Hazardous material disposal	9,600	4,841	7,197
Industrial waste expense	35,400	35,858	37,844
Insurance and licences	58,360	63,350	57,906
Landfill closure and post-closure provision	-	45,689	122,329
Lands lease	840	800	800
Litter control	1,800	390	1,442
Meetings	9,600	6,142	8,716
Monitoring	15,200	22,351	34,668
Office	24,420	26,315	16,877
Other projects	6,000	12,485	53,644
Paint disposal expense	-	3,350	-
Professional fees	19,252	11,627	49,894
Recycle upgrades	-	-	11,629
Rental	4,800	10,223	6,247
Repairs and maintenance - general	21,200	26,936	26,372
Repairs and maintenance - machinery and equipment	23,500	51,571	17,140
Repairs and maintenance - road	51,500	52,916	46,423
Salaries, wages and benefits	503,012	484,092	361,068
Site beautification	10,000	10,000	92
Utilities	19,800	18,151	19,651
	993,234	1,586,460	1,386,496
Excess of revenues over expenses	963,106	580,548	107,512

The accompanying notes are an integral part of these financial statements

**The Crowsnest/Pincher Creek
Landfill Association**
Statement of Changes in Members' Equity
For the year ended December 31, 2010

	<i>Capital Fund</i>	<i>Operating Fund</i>	<i>2010</i>	<i>2009</i>
Members' equity, beginning of year	770,849	1,316,118	2,086,967	1,979,455
Excess of revenues over expenses	-	580,548	580,548	107,512
Amortization of tangible capital assets	(431,635)	431,635	-	-
Purchase of tangible capital assets	968,253	(968,253)	-	-
Capital lease payments	183,666	(183,666)	-	-
Disposal of tangible capital assets at net book value	(12,160)	12,160	-	-
Members' equity, end of year	1,478,973	1,188,542	2,667,515	2,086,967

The accompanying notes are an integral part of these financial statements

**The Crownsnest/Pincher Creek
Landfill Association
Statement of Cash Flows**
For the year ended December 31, 2010

	2010	2009
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	580,548	107,512
Amortization	431,635	323,822
Landfill closure and post-closure provision	45,689	122,329
Landfill closure and post-closure expenses	(3,200)	-
Gain on disposal of tangible capital assets	(6,140)	(53,974)
	1,048,532	499,689
Changes in working capital accounts		
Accounts receivable	(29,522)	(213,127)
Prepaid expense	(11,785)	-
Accounts payable and accruals	50,870	16,168
	1,058,095	302,730
Financing activities		
Advances by way of capital lease obligations	-	551,000
Repayment of capital lease obligations	(183,666)	(15,305)
	(183,666)	535,695
Investing activities		
Purchase of tangible capital assets	(968,253)	(863,200)
Proceeds on disposal of tangible capital assets	18,300	55,000
Purchase of term deposits	(355,590)	(293,418)
Redemption of term deposits	307,592	162,194
	(997,951)	(939,424)
Decrease in cash resources	(123,522)	(100,999)
Cash resources, beginning of year	230,321	331,320
Cash resources, end of year	106,799	230,321
Supplementary cash flow information		
Cash paid for interest	1,631	1,502

The accompanying notes are an integral part of these financial statements

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

1. Operations

The Crowsnest/Pincher Creek Landfill Association ("the Association") is directed by a Board of Directors who are councilors from the Municipality of Crowsnest Pass, Village of Cowley, Town of Pincher Creek, and Municipal District of Pincher Creek #9, and operates to provide waste management services to the surrounding area.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for government as established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants and include the following significant accounting policies:

Fund accounting

The Association uses the deferral method of fund accounting that result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The funds have been amalgamated for the purpose of presentation in the financial statements.

The Association maintains the following funds:

- Operating fund reports on the general activities of the Association administration
- Capital fund reports on the capital assets of the Association with any related capital financing

Cash and cash equivalents

Cash and cash equivalents include balances with banks.

Investments

Investments consist of term deposits and are recorded at cost and are classified in accordance with the nature of the investment.

Income tax status

The Association is registered as a society under the *Income Tax Act* ("the Act") and as such is exempt from income taxes. In order to maintain its status as a society under the Act, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**The Crowsnest/Pincher Creek
Landfill Association
Notes to the Financial Statements**
For the year ended December 31, 2010

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets

Tangible capital assets are recorded at cost. The cost for contributed tangible capital assets is considered to be fair value at the date of contribution. The costs to acquire tangible capital assets are reported as interfund transfers in the operating fund with a corresponding interfund contribution recognized in the capital fund.

Amortization is provided using methods and rates intended to amortize the cost of assets over their useful lives.

	Method	Rate
Roads	declining balance	4 %
Buildings	declining balance	5 %
Irrigation equipment	declining balance	6 %
Fences and wells	declining balance	10 %
Office property, equipment, scales, furniture and fixtures	declining balance	20 %
Automotive, computer equipment, heavy machinery and waste containers	declining balance	30 %
Computer software	declining balance	100 %
Site preparation	declining balance	50 %
Industrial waste disposal cell	straight line	40 %

In the year of acquisition, amortization is taken at one-half of the above rates.

Contributed assets

Contributed assets are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Association's operations and would otherwise have been purchased.

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' carrying amount. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in the statement of changes in members' equity in the capital fund for the year.

Landfill closure and post-closure liability

The Alberta Environmental Protection and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The costs associated with this care are being provided for over the estimated remaining life of the landfill site and industrial waste cell based on usage.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

2. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

The Association recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Income from investments are recognized when earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian 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.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Landfill closure and post closure costs are recognized based upon assumptions and estimates related to the costs of future removal and site restoration. Annual provision for these costs are amortized over the estimated remaining life of the landfill site and industrial waste cells based on usage. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

3. Term deposits

	2010	2009
Four year non-redeemable term deposit, bearing interest at 3.500% (2009-3.375%), maturing March 4, 2012	213,454	206,485
Four year non-redeemable term deposit, bearing interest at 3.500% (2009-3.375%), maturing March 4, 2012	213,454	206,485
Four year non-redeemable term deposit, bearing interest at 3.500% (2009-3.375%), maturing March 4, 2012	266,818	258,107
Two year non-redeemable term deposit, bearing interest at 1.625%, maturing July 12, 2011	115,474	113,648
Five year redeemable term deposit, bearing interest at 3.375%, matured October 14, 2010	-	114,199
Three year non-redeemable term deposit, bearing interest at 2.250%, maturing December 18, 2012	255,625	250,000
Three year non-redeemable term deposit, bearing interest at 3.750%, maturing March 4, 2011	166,315	160,303
Five year non-redeemable term deposit, bearing interest at 3.500%, matured July 12, 2010	-	229,505
Five year non-redeemable term deposit, bearing interest at 2.500%, maturing July 12, 2015	237,537	-
Five year redeemable term deposit, bearing interest at 3.500%, maturing October 14, 2015	118,053	-
Less: Current portion	(281,788)	(343,704)
	1,304,942	1,195,028

All of the term deposits are at the Pincher Creek Credit Union Limited.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

4. Tangible capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2010 Net book value</i>	<i>2009 Net book value</i>
Automotive	62,014	47,141	14,873	21,247
Buildings	280,303	112,663	167,640	62,313
Computer equipment	18,090	11,576	6,514	3,103
Computer software	10,546	10,546	-	-
Equipment	102,329	80,680	21,649	27,113
Fences and signs	113,360	69,918	43,442	32,339
Furniture and fixtures	11,928	8,863	3,065	3,831
Heavy machinery	1,088,443	678,387	410,056	510,116
Industrial waste disposal cell	319,764	63,953	255,811	-
Irrigation equipment	2,599	1,771	828	881
Waste containers	566,740	489,896	76,844	85,359
Roads	125,562	94,482	31,080	32,375
Scales	72,184	61,144	11,040	13,800
Site preparation	100,451	91,733	8,718	17,437
Wells	105,400	79,948	25,452	28,280
Work in progress	434,544	-	434,544	-
	3,414,257	1,902,701	1,511,556	838,194
Assets under capital lease				
Heavy machinery	539,000	219,555	319,445	468,350
	3,953,257	2,122,256	1,831,001	1,306,544

5. Bank indebtedness

Bank indebtedness includes an overdraft protection agreement authorized to \$60,000 (2009 - \$60,000) bearing interest at prime plus 1.00%. The overdraft is secured by all deposits and paid up shares in the Credit Union. The Association has not utilized this overdraft protection during the 2009 or 2010 years. The prime rate at December 31, 2010 is 3.00%.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

6. Capital lease obligation

	<i>2010</i>	<i>2009</i>
0% Capital lease obligation payable in equal monthly installments of \$5,431, due December 15, 2012 secured by a 32DLRR Excavator, having a net book value of \$112,123.	124,903	190,070
0% Capital lease obligation payable in equal monthly installments of \$9,875, due December 15, 2012 secured by 725 Articulated Truck, having a net book value of \$207,322, pledged as collateral.	227,126	345,625
	352,029	535,695
<u>Less: Current portion</u>	183,670	183,666
	168,359	352,029

Minimum lease payments related to the obligations under capital lease are as follows:

2011	183,670
2012	168,359
	<hr/>
Balance of obligation	352,029

**The Crownsnest/Pincher Creek
Landfill Association
Notes to the Financial Statements**
For the year ended December 31, 2010

7. Landfill closure and post-closure liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspection and maintenance.

The estimated total liability is typically based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a reasonable discount rate and annual inflation rate. In this case, the costs are provided at present value, of the costs as at December 31, 2006. Future liability will be based on a roll-forward of the information from the engineers for costs calculated plus estimates as at December 31, 2006 adjusted for time value of money.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated to be 459,590 cubic meters. The remaining capacity of the site is estimated to be 54,900 cubic meters.

	2010	2009
Balance, beginning of year	779,967	657,638
Provision for post-closure liability	45,689	122,329
Closure expenses	(3,200)	-
Balance, end of year	822,456	779,967

The estimated remaining life is one year for the MSW cell and two and a half years for the industrial cells.

The liability for closure has been adjusted for time value of money using the inflationary rate of 2% as recommended by the Association's contracted engineers. The closure and post-closure calculations include a \$70,000 contingency, which is calculated at 10% of the total cost. In addition, the post-closure costs lists a \$100,000 retention for insurance deductible.

These costs are estimates prepared by management and actual costs could vary significantly.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

8. Tonnage and disposal fees

	2010	2009
Domestic tonnage (tonne)		
Municipality of Crowsnest Pass	3,351	3,307
Municipal District of Pincher Creek #9	3,825	3,418
Town of Pincher Creek	3,525	2,821
Village of Cowley	121	126
CCS Landfill Services	19,718	16,668
Other	5,372	5,365
	35,912	31,705
Out of region tonnage (tonne)		
Regional District of East Kootenay	10,302	3,197
Other	1,024	1,533
	11,326	4,730
Total tonnage (tonne)	47,238	36,435
Domestic disposal fees (\$)		
Municipality of Crowsnest Pass	141,209	139,357
Municipal District of Pincher Creek #9	161,177	144,043
Town of Pincher Creek	148,581	118,874
Village of Cowley	5,112	5,321
CCS Landfill Services	644,924	436,490
Other	234,105	300,142
	1,335,108	1,144,227
Out of region disposal fees (\$)		
Regional District of East Kootenay	604,373	182,877
Other	49,279	15,804
	653,652	198,681
Total fees (\$)	1,988,760	1,342,898

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

9. Related party transaction

During the year, the Association carried out transactions with related parties as follows:

	2010	2009
Domestic and industrial waste disposal fees (including road maintenance fees):		
Municipality of Crowsnest Pass	144,580	142,003
Municipal District of Pincher Creek #9	165,182	146,777
Town of Pincher Creek	152,530	121,130
Village of Cowley	5,233	5,422
	467,525	415,332
Accounts receivable included amounts from related parties as follows:		
Municipality of Crowsnest Pass	18,053	16,997
Municipal District of Pincher Creek #9	9,554	5,877
Town of Pincher Creek	6,816	6,641
Village of Cowley	295	304
	34,718	29,819

All transactions are in the normal course of operations and carried out on the same terms and conditions as those with independent third parties, and are measured at the exchange amount, which is the amount agreed to between the parties.

Accounts payable included an amount due to the Municipal District of Pincher Creek #9 of \$47,239 (2009 - \$31,344) for remittance of road maintenance fees accumulated by the Association during the year.

**The Crowsnest/Pincher Creek
Landfill Association**
Notes to the Financial Statements
For the year ended December 31, 2010

10. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Association are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Credit concentration

The Association has a concentration of credit risk because 48% (2009 - 60%) of its accounts receivable are from one customer. The Association believes that there is no unusual exposure associated with the collection of these receivables. The Association performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivables.

Fair value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals is approximated by their fair value due to their short-term nature. The carrying amount of term deposits also approximates the fair value, as they bear interest rates that are comparable to current market conditions. The Carrying value of the landfill closure and post-closure liability also approximates its fair value as this liability has been determined based on discounted future cashflows.

11. Commitments

The landfill is situated on land owned by the Alberta Government. The Association has an agreement to rent the land for \$800 per year. The agreement is effective to the year 2021.

On July 1, 2008, the Association entered into an agreement with CCS Landfill Services, a Division of CCS Inc., for a term of five years. Under the agreement, the Association agrees to accept non-hazardous industrial waste at the Landfill Facility. The gross tipping fee is to be agreed upon between the Association and CCS for each generator and from each site. CCS Landfill Services, is entitled to receive fees equal to 25% of the gross tipping fees received under this agreement.

On September 1, 2009, the Association entered into an agreement with the Regional District of East Kootenay (RDEK), for a term of three years. Under the agreement, the Association agrees to accept municipal solid wastes at the Landfill Facility. The gross tipping fee for municipal solid waste, received from RDEK will increase at a rate of 3% per year as follows:

2009 - \$58.00 per tonne
2010 - \$59.74 per tonne
2011 - \$61.53 per tonne

All fees are entitled to be received by the Crowsnest/Pincher Creek Landfill facility.

12. Budget

The 2010 budget for the Crowsnest/Pincher Creek Landfill association was approved by the Board and has been reported for information purposes only. These budget amounts have not been audited, reviewed or otherwise verified.