

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
(A WHOLLY OWNED SUBSIDIARY OF WASTE CONNECTIONS, INC.)  
**EL DORADO COUNTY FRANCHISE AGREEMENT**  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2008

 **KEMPER**  
**CPA GROUP** P.C.  
Certified Public Accountants and Consultants

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
(A WHOLLY OWNED SUBSIDIARY OF WASTE CONNECTIONS, INC.)

**EL DORADO COUNTY FRANCHISE AGREEMENT**

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

KEMPER CPA GROUP LLP

*Certified Public Accountants and Consultants*

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

TABLE OF CONTENTS

---

	Page
INDEPENDENT AUDITOR'S	1-2
FINANCIAL STATEMENT	
Statement of revenues and expenses	3
Notes to financial statement	4-7
SUPPLEMENTAL INFORMATION	
Schedule of operating expenses	8-9



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Waste Connections of California, Inc. d/b/a  
Amador Disposal Service

We have audited the accompanying statement of revenues and expenses of Waste Connections of California, Inc. d/b/a Amador Disposal Service (a wholly owned subsidiary of Waste Connections, Inc.) – El Dorado County Franchise Agreement for the year ended December 31, 2008. This statement is the responsibility of management. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the financial statement noted above 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management of Waste Connections of California, Inc. d/b/a Amador Disposal Service, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because we were unable to audit the debt and income tax expense of the Parent Company, we were not able to satisfy ourselves about the amount of interest expense and provision for income taxes included in the statement of revenues and expenses for the year ended December 31, 2008, as described in Note 4 to the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the interest expense and provision for income taxes, the statement of revenues and expenses presents fairly, in all material respects, the results of operations of Waste Connections of California, Inc. d/b/a Amador Disposal Service – El Dorado County Franchise Agreement for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America and on the basis of the definitions and significant factors and assumptions described in accompanying notes.

Our audit was conducted for the purpose of forming an opinion on the statement of revenues and expenses. The supplementary information on pages 8-9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the statement of revenues and expenses, and in our opinion, is fairly stated in all material respects in relation to the statement of revenues and expenses taken as a whole.

*Kemper CPA Group LLP*

Kemper CPA Group LLP  
*Certified Public Accountants and Consultants*  
Stockton, California

August 31, 2009

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

STATEMENT OF REVENUES AND EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2008

---

<b>OPERATING REVENUE</b>	
Hauling	\$ 623,257
Material recovery facility charges	1,022
Corporate revenue	<u>1,049</u>
Total operating revenue	625,328
<b>OPERATING EXPENSES (See schedule of operating expenses)</b>	<u>670,140</u>
<b>LOSS FROM OPERATIONS</b>	(44,812)
<b>OTHER INCOME (EXPENSE):</b>	
Interest expense	<u>(14,689)</u>
Total other expense	<u>(14,689)</u>
<b>NET LOSS BEFORE INCOME TAXES</b>	(59,501)
Provision for income taxes-tax benefit	<u>(24,187)</u>
<b>NET LOSS</b>	<u>\$ (35,314)</u>

The accompanying notes are an integral part of these financial statements.

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008

---

**1. ORGANIZATION**

Waste Connections of California, Inc. d/b/a Amador Disposal Service ("the Company") (a wholly owned subsidiary of Waste Connections, Inc) is an integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services to commercial, industrial and residential customers. Amador Disposal Service serves the Northern California counties of Amador, Calaveras, El Dorado, and Alpine. The Company operates a Material Recovery Facility (MRF) in Amador County as well. These services are all under exclusive franchise agreements with their respective municipality. The Company also operates a portable toilet business that is not covered under any franchise agreement.

While the Company uses shared resources to service the individual entities more efficiently, the Company is able to generate financial data for each operating entity or franchise agreement. The narrative outlined in Note 3 describes the methodology in which this information is isolated for financial reporting purposes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

*Property, Plant, and Equipment*

Expenditures for maintenance and repair costs, including planned major maintenance activities, are charged to expense as incurred. Gains and losses resulting from disposals of property and equipment are recognized in the period in which the property and equipment is disposed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

The estimated useful lives are as follows:

Buildings	20 Years
Land improvements	3 - 20 Years
Machinery and equipment	3 - 12 Years
Rolling stock (vehicles)	5 - 10 Years
Containers	5 - 12 Years

Allocated depreciation expense for the year ended December 31, 2008, was \$36,598.

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008

---

*Goodwill and Indefinite-Lived Intangible Assets*

The Company acquired indefinite-lived intangible assets in connection with certain acquisitions. The amounts assigned to indefinite-lived intangible assets consist of the value of certain perpetual rights to provide solid waste collection and transportation services in specified territories. The estimate fair value of the acquired indefinite-lived intangible assets was determined by management of the Parent company based on the discounted cash flows associated with the rights, agreements and contracts. Indefinite-lived intangible assets are not amortized. Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets of the acquired entities. Goodwill and intangible assets, deemed to have indefinite lives, are subject to annual impairment analysis.

As a result of performing the tests for potential impairment, the Company determined that no impairment existed as of December 31, 2008, and therefore, there were no write-downs of any goodwill or indefinite-lived intangible assets.

*Revenue Recognition*

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been provided, the price is fixed or determinable and collection is reasonably assured. Certain customers are billed in advance and, accordingly recognition of the related revenues is deferred until the services are provided.

*Income Taxes*

The Company provides for the federal and state income tax effect of the transactions reported in the financial statements. The provision includes tax currently due plus deferred federal and state income taxes.

The Company is a member of a group that files consolidated returns for federal and state income tax. When the members of a consolidated group issue separate financial statements, Statement No. 109 requires the consolidated amounts of current and deferred tax expenses to be allocated among the members of the group. Guidance relative to the method of allocation simply states that it shall be systematic, rational, and consistent with the broad principles of Statement No. 109. Allocating the consolidated amounts of current and deferred taxes by applying the liability method to each member of the group as if the member were a separate taxpayer is considered to meet the necessary criteria. The Company adopted the separate taxpayer method of allocation for use in determining the amounts of current taxes to report in the provision for income taxes, however, the Company does not account for deferred taxes in this provision. See Note 4.



WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008

---

The Statement requires that deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and it is at least reasonably possible that the significant estimates used will change within the next year.

*Advertising*

The Company expenses advertising costs as they are incurred. Allocated advertising expense for the year ended December 31, 2008 is \$1,298.

**3. SUMMARY OF ALLOCATION METHODOLOGY**

*Revenues*

Revenues are specifically identified to each entity based upon information from the Company's billing computer system. Customers are segregated into bill areas corresponding to reporting entities, thus making specific identification possible for revenue.

*Expenses*

Expenses that can be specifically assigned to an entity are identified and reported under that entity.

Franchise Fee Expenses are specifically identified to each entity again based upon the information from the Company's billing computer system.

MRF Disposal charges are specifically identified to each entity based upon information from the Company's Scale computer system. The Company's MRF charges the Company's hauling entities via this system. Material origins are tracked on each load for all vehicles crossing the scale. This makes specific identification for disposal possible.

Landfill/other disposal and brokerage costs, are those costs the MRF entity incurs to transport and ultimately dispose/recycle the material, which are identified specifically and charged directly to the MRF entity.

**WASTE CONNECTIONS OF CALIFORNIA, INC.**  
**d/b/a**  
**AMADOR DISPOSAL SERVICE**  
**EL DORADO COUNTY FRANCHISE AGREEMENT**

**NOTES TO THE FINANCIAL STATEMENT**  
**DECEMBER 31, 2008**

---

Direct labor costs are allocated to each reporting entity. The allocation is based upon each reporting entities route time allocation. Statistical information (specifically the detailed route sheets for all routes showing all customers) from the Company's computer billing system, allows for a calculation of total route time allocation by entity to be calculated. This percentage is then applied to all labor costs for Company, including wages, benefits.

Maintenance and direct route supervisory expenses are allocated based upon the same methodology as direct labor route time allocation.

The Company's general and administrative expenses are allocated based upon customer counts from the respective entities. This information comes for the ADS computer billing system. These costs include customer service and management wages and expenses.

Expenses for interest and corporate expenses are allocated based upon the same methodology as labor route time allocation.

**4. INTEREST EXPENSE AND PROVISION FOR INCOME TAXES**

We were unable to audit the debt or the income tax expense of the Parent Company, therefore, we were not able to satisfy ourselves about the amount of interest expense and the provision for income taxes included in the statement of revenues and expenses for the year ended December 31, 2008.

The Company calculated interest expense by applying a rate of interest based on rates charged to the Parent company on its' borrowings, the calculated interest rate is 3.5%. The rate was applied to the net of the intercompany accounts which represent the Parent Company's investment in Waste Connections of California, Inc. d/b/a Amador Disposal Service and the cumulative effect of the Company's transactions with the Parent company.

The provision for income taxes has been calculated using a federal rate of 35% and a state rate of 5.65% applied to the net loss before income taxes shown on the statement of revenues and expenses.

**SUPPLEMENTAL INFORMATION**

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY FRANCHISE AGREEMENT

SCHEDULE OF OPERATING EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2008

---

Advertising and promotions	\$ 1,298
Allocations	35,719
Amortization	4,677
Bad debt provision	9,469
Bank fees	1,185
Bldg and Property	3,676
Bonuses and commissions	2,030
Brokerage cost	1,210
Communications	4,868
Computer software	38
Computer supplies	267
Contract labor	455
Contributions	162
Credit and collection	751
Data processing	4,888
Depreciation	36,598
Disposal landfill	253,926
Drug testing	61
Dues and subscriptions	1,482
Empl and commun activity	1,022
Equipment and maint repair	4,123
Equipment/vehicle rental	7
Franchise taxes	30,885
Freight	345
Fuel expense	47,090
Health insurance	16,737
Insurance	8,741
Licenses	3,368
Lodging	176
Meals	476

WASTE CONNECTIONS OF CALIFORNIA, INC.  
d/b/a  
AMADOR DISPOSAL SERVICE  
EL DORADO COUNTY COLLECTION OPERATIONS

**SCHEDULE OF OPERATING EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2008**

---

Miscellaneous	82
NSF fees	(337)
Office supply and equipment	2,020
Oil and grease	1,572
Operating supplies	6,509
Parts and materials	9,225
Payroll taxes	12,297
Pension and profit sharing	808
Permits	4
Postage	953
Property taxes	2,102
Real estate rentals	3,727
Safety and training	1,396
Salaries	18,386
Security services	447
Tires	5,996
Towing expense	919
Travel	3,316
Uniforms	1,994
Utilities	2,810
Vacation sick pay	7,452
Wages	94,848
Wages O.T.	17,884
<b>Total operating expenses</b>	<b><u>\$ 670,140</u></b>