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INDEPENDENT AUDITORS' REPORT

To the Councillors of the Town of Colonsay:

We have audited the consolidated statement of financial position of Town of Colonsay as at December 31, 2011 and the consolidated statements of operations, changes in net financial assets, 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.

**Basis for Qualified Opinion**

The accompanying financial statements consolidate the operations and activities of the Colonsay and District Parks and Recreation Board (Board).

Revenues include fundraising and similar activities reported by the Board, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Board.

In addition, in 2011 the Board converted to reporting its financial statements from a cash basis to an accrual basis. A record of inventory quantities at the beginning of the year, nor at the beginning of the prior year ended December 31, 2010, were maintained, and we were unable to satisfy ourselves as to inventory quantities at those dates by alternative means.

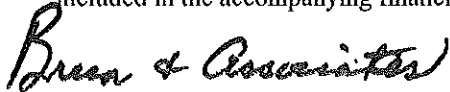
As a result of the above matters we were unable to determine whether any adjustments might have been necessary in respect of unrecorded fundraising or similar revenues, inventories, and the related elements making up the accompanying financial statements.

### Qualified Opinion

In our opinion, except for the possible effects of the matters described in the above Bases for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material results, the consolidated financial position of the Town of Colonsay as at December 31, 2011 and the results of its operations, changes in net financial position and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### Other Matters

In accordance with the terms of our engagement, we have not audited, nor do we express an opinion on the budget figures included in the accompanying financial statements.

A handwritten signature in cursive script that reads "Breen & Associates".

Breen & Associates  
Chartered Accountants

July 9, 2012

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**Management's Responsibility**

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To the Ratepayers of the Town of Colonsay

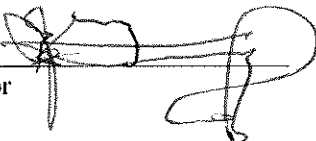
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. 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 Council is composed of elected officials who are not employees of the Municipality. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with external auditors. The Council is also responsible for recommending the appointment of the Municipality's external auditors.

Breen & Associates, an independent firm of Chartered Accountants, is appointed by the council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to meet periodically and separately with both the Council and administration to discuss their audit findings.

July 9, 2012

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Administrator

Town of Colonsay  
 Consolidated Statement of Financial Position  
 As at December 31, 2011

Statement 1

	2011	2010
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and Temporary Investments (Note 2)	375,173	153,902
Taxes Receivable - Municipal (Note 3)	42,017	46,527
Other Accounts Receivable (Note 4)	38,675	357,524
Land for Resale (Note 5)	25,103	25,103
Long-Term Investments	-	-
Other		
<b>Total Financial Assets</b>	<b>480,968</b>	<b>583,056</b>

<b>LIABILITIES</b>		
Bank Indebtedness		
Accounts Payable	3,052	8,405
Accrued Liabilities Payable		
Deposits	18,365	16,880
Deferred Revenue	-	-
Accrued Landfill Costs	-	-
Other Liabilities		
Long-Term Debt (Note 6)	70,033	406,704
Lease Obligations		
<b>Total Liabilities</b>	<b>91,450</b>	<b>431,989</b>

<b>NET FINANCIAL ASSETS</b>	<b>389,518</b>	<b>151,067</b>
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<b>Non-Financial Assets</b>		
Tangible Capital Assets (Schedule 6, 7)	1,766,355	1,746,394
Prepayments and Deferred Charges	25	3,562
Stock and Supplies	5,240	5,240
Other	-	-
<b>Total Non-Financial Assets</b>	<b>1,771,620</b>	<b>1,755,196</b>

<b>Accumulated Surplus (Deficit) (Schedule 8) (Note 8)</b>	<b>2,161,138</b>	<b>1,906,263</b>
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Town of Colonsay  
 Consolidated Statement of Operations  
 As at December 31, 2011

Statement 2

	2011 Budget	2011	2010
<b>Revenues</b>			
Taxes and Other Unconditional Revenue (Schedule 1)	478,157	479,233	376,833
Fees and Charges (Schedule 4, 5)	165,650	186,683	162,248
Conditional Grants (Schedule 4, 5)	-	12,328	1,072
Tangible Capital Asset Sales - Gain (Schedule 4, 5)	-	(701)	2,550
Land Sales - Gain (Schedule 4, 5)	-	-	-
Investment Income and Commissions (Schedule 4, 5)	550	952	326
Other Revenues (Schedule 4, 5)	406,705	308,822	211,825
<b>Total Revenues</b>	<b>1,051,062</b>	<b>987,317</b>	<b>754,854</b>
<b>Expenses</b>			
General Government Services (Schedule 3)	107,490	96,425	99,202
Protective Services (Schedule 3)	50,710	37,500	32,735
Transportation Services (Schedule 3)	297,780	185,068	453,894
Environmental and Public Health Services (Schedule 3)	20,300	22,327	20,162
Planning and Development Services (Schedule 3)	-	-	-
Recreation and Cultural Services (Schedule 3)	254,300	250,214	231,110
Utility Services (Schedule 3)	134,370	166,493	138,872
<b>Total Expenses</b>	<b>864,950</b>	<b>758,027</b>	<b>975,975</b>
<b>Surplus (Deficit) of Revenues over Expenses before Other Capital Contributions</b>	<b>186,112</b>	<b>229,290</b>	<b>(221,121)</b>
Provincial/Federal Capital Grants and Contributions (Schedule 4, 5)	26,150	25,585	341,683
<b>Surplus (Deficit) of Revenues over Expenses</b>	<b>212,262</b>	<b>254,875</b>	<b>120,562</b>
Accumulated Surplus (Deficit), Beginning of Year (Note 8)	1,906,263	1,906,263	1,785,701
<b>Accumulated Surplus (Deficit), End of Year (Note 8)</b>	<b>2,118,525</b>	<b>2,161,138</b>	<b>1,906,263</b>

Town of Colonsay  
 Consolidated Statement of Change in Net Financial Assets  
 As at December 31, 2011

Statement 3

	2011 Budget	2011	2010
Surplus (Deficit)	212,262	254,875	120,562
(Acquisition) of tangible capital assets	(13,000)	(107,308)	(221,917)
Amortization of tangible capital assets	78,880	86,646	76,660
Proceeds on disposal of tangible capital assets			2,550
Loan Principal Payments	(37,070)		
Loss (gain) on the disposal of tangible capital assets		701	(2,550)
<b>Surplus (Deficit) of capital expenses over expenditures</b>	<b>28,810</b>	<b>(19,961)</b>	<b>(145,257)</b>
(Acquisition) of supplies inventories	(5,240)	(5,240)	5,240
(Acquisition) of prepaid expense	(25)	(25)	(3,562)
Consumption of supplies inventory	5,240	5,240	(5,240)
Use of prepaid expense	3,562	3,562	55
<b>Surplus (Deficit) of expenses of other non-financial over expenditures</b>	<b>3,537</b>	<b>3,537</b>	<b>(3,507)</b>
<b>Increase/Decrease in Net Financial Assets</b>	<b>244,609</b>	<b>238,451</b>	<b>(28,202)</b>
<b>Net Financial Assets - Beginning of Year</b>	<b>151,067</b>	<b>151,067</b>	<b>179,269</b>
<b>Net Financial Assets - End of Year</b>	<b>395,676</b>	<b>389,518</b>	<b>151,067</b>

Town of Colonsay  
 Consolidated Statement of Cash Flow  
 As at December 31, 2011

Statement 4

	2011	2010
<b>Cash provided by (used for) the following activities</b>		
<b>Operating:</b>		
Surplus (Deficit)	254,875	120,562
Amortization	86,646	76,660
Loss (gain) on disposal of tangible capital assets	701	(2,550)
	<u>342,222</u>	<u>194,672</u>
<b>Change in assets/liabilities</b>		
Taxes Receivable - Municipal	4,510	(3,498)
Other Receivables	318,849	(323,397)
Land for Resale		
Other Financial Assets		
Accounts and accrued liabilities payable	(5,353)	8,102
Deposits	1,485	(11,850)
Deferred Revenue		
Other Liabilities	-	
Stock and supplies for use		
Prepayments and Deferred Charges	3,537	(3,507)
Other		
<b>Net cash from (used for) operations</b>	<b>665,250</b>	<b>(139,478)</b>
<b>Capital:</b>		
Acquisition of capital assets	(107,308)	(221,917)
Proceeds from the disposal of capital assets		2,550
Other capital		
<b>Net cash from (used for) capital</b>	<b>(107,308)</b>	<b>(219,367)</b>
<b>Investing:</b>		
Long-term investments		
Other investments		
<b>Net cash from (used for) investing</b>	<b>-</b>	<b>-</b>
<b>Financing:</b>		
Long-term debt issued		325,000
Long-term debt repaid	(336,671)	(38,374)
Other financing		
<b>Net cash from (used for) financing</b>	<b>(336,671)</b>	<b>286,626</b>
<b>Increase (Decrease) in cash resources</b>	<b>221,271</b>	<b>(72,219)</b>
<b>Cash and Investments - Beginning of Year</b>	<b>153,902</b>	<b>226,121</b>
<b>Cash and Investments - End of Year</b>	<b>375,173</b>	<b>153,902</b>

Town of Colonsay  
 Schedule of Council Remuneration  
 As at December 31, 2011

Schedule 10

Name	Remuneration	Reimbursed Costs	Total
J GRAY	3,100	199	3,299
J CAMPBELL	1,700		1,700
S YAUSIE	1,300		1,700
A BROCHU	1,300		1,300
M DAVIES	1,300		1,300
P KINDRAT	1,850	249	2,099
G WRIGHT	1,500	75	1,575
			-
			-
			-
<b>Total</b>	<b>12,050</b>	<b>523</b>	<b>12,973</b>