



Consolidated Financial Statements

The Corporation of the Town of Marathon

December 31, 2010



The Corporation of the Town of Marathon
4 Hemlo Drive, P.O. Bag TM
Marathon, Ontario P0T 2E0
Phone: (807) 229-1340

File No. 1-35

July 4, 2011

Re: Statement of Administrative Responsibility

The management of the Town of Marathon has prepared the accompanying financial statements and is responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the CICA.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Municipality's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

Council reviews and approves the financial statements before such statements are published for the residents of the Town of Marathon. The external auditors have access to, and meet with Council to discuss their audit and the results of their examination.

The 2010 Financial Statements have been reported on by the Town of Marathon external auditors, Grant Thornton, LLP, the auditors appointed by Marathon Town Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

THE TOWN OF MARATHON

Brian Tochen
Chief Administrative Officer /
Clerk

Chuck Verbo
Finance & Administration
Manager / Treasurer

Rick Dumas
Mayor

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4 - 5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 19
Schedule 1 - Consolidated Schedule of Accumulated Surplus	20
Schedule 2 - Consolidated Schedule of Tangible Capital Assets	21
Schedule 3 - Consolidated Schedule Of Segment Disclosure	22 - 23
Consolidated Local Boards	
Trust Funds	
Auditors' Report	24 - 25
Statement of Financial Position	26
Statement of Operations and Accumulated Surplus	27
Notes to the Financial Statements	28



Independent Auditor's Report

Grant Thornton LLP

979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
+1 800 446 4794 (Toll Free)
F +1 807 345 0032
E ThunderBay@ca.gt.com
www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Marathon, which comprise the consolidated statement of financial position, consolidated statements of operations and accumulated surplus, change 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Marathon as at December 31, 2010, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
July 4, 2011

Chartered Accountants
Licensed Public Accountants

The Corporation of the Town of Marathon Consolidated Statement of Financial Position

As at December 31	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	2,842,382	3,141,479
Investments <i>[note 3]</i>	2,000,000	200,000
Taxes receivable	1,002,884	917,697
User charges receivable	33,473	117,677
Accounts receivable	137,380	583,557
Lease receivable <i>[note 4]</i>	187,500	237,500
Total financial assets	6,203,619	5,197,910
LIABILITIES		
Accounts payable and accrued liabilities	765,014	1,128,317
Deferred revenue <i>[note 8]</i>	363,564	329,934
Debt <i>[note 9]</i>	1,584,408	1,700,058
Obligations under capital lease <i>[note 10]</i>	2,650	33,667
Landfill closure and post-closure liability <i>[note 11]</i>	1,399,464	1,399,464
Total liabilities	4,115,100	4,591,440
NET FINANCIAL ASSETS	2,088,519	606,470
NON-FINANCIAL ASSETS		
Tangible capital assets - net <i>[note 12] [schedule 2]</i>	35,225,922	35,271,580
Accumulated surplus <i>[schedule 1]</i>	37,314,441	35,878,050

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	2010	2010	2009
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		
	<i>[note 16]</i>		
REVENUES [schedule 3]			
Taxation			
Residential and farm taxation	2,539,664	2,542,310	2,554,972
Commercial and industrial taxation	3,382,031	3,393,147	3,702,870
Taxation from other governments	106,106	109,515	112,917
	<u>6,027,801</u>	<u>6,044,972</u>	<u>6,370,759</u>
Deduct			
Amounts received or receivable on behalf of school boards	(683,458)	(674,250)	(899,338)
	<u>5,344,343</u>	<u>5,370,722</u>	<u>5,471,421</u>
User charges			
Water and sewer	1,051,016	1,034,364	1,142,258
Other fees and service charges	1,032,980	991,115	1,019,900
	<u>7,428,339</u>	<u>7,396,201</u>	<u>7,633,579</u>
Grants			
Government of Canada	247,390	338,089	95,823
Province of Ontario	3,653,787	3,419,658	3,270,705
	<u>3,901,177</u>	<u>3,757,747</u>	<u>3,366,528</u>
Other			
Investment income	38,000	39,486	40,158
Penalties and interest on taxes	415,749	421,657	250,960
Sale of land and equipment	6,000	(268)	(400)
Sundry	75,155	110,708	209,863
	<u>534,904</u>	<u>571,583</u>	<u>500,581</u>
Total revenues	<u>11,864,420</u>	<u>11,725,531</u>	<u>11,500,688</u>

	2010	2010	2009
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		
	<i>[note 16]</i>		
EXPENSES [note 13] [schedule 3]			
General government	2,697,705	2,566,807	2,588,136
Protection to persons and property	1,619,332	1,663,983	1,582,900
Transportation services	1,162,170	1,697,979	1,765,975
Environmental services	1,193,575	1,563,793	1,625,632
Health services	229,816	228,169	249,848
Social and family services	475,871	551,373	663,006
Recreation and cultural services	1,491,387	1,695,176	1,820,303
Planning and development	356,125	321,860	310,435
	9,225,981	10,289,140	10,606,235
NET REVENUES	2,638,439	1,436,391	894,453
Annual surplus	2,638,439	1,436,391	894,453
Accumulated surplus, beginning of year	—	35,878,050	34,983,597
Accumulated surplus, end of year	2,638,439	37,314,441	35,878,050

See accompanying notes to the consolidated financial statements.

**The Corporation of the Town of Marathon
Consolidated Statement of Change in Net Financial
Assets**

Year ended December 31	2010	2010	2009
	Budget	Actual	Actual
	\$	\$	\$
	<i>[unaudited]</i>		
	<i>[note 16]</i>		
Annual surplus	2,638,439	1,436,391	894,453
Acquisition of tangible capital assets	(2,144,126)	(1,408,715)	(2,221,367)
Amortization of tangible capital assets	—	1,436,382	1,397,800
Loss on disposal of tangible capital assets	—	17,991	—
Increase in net financial assets	494,313	1,482,049	70,886
Net financial assets, beginning of year	—	606,470	535,584
Net financial assets, end of year	494,313	2,088,519	606,470

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon Consolidated Statement of Cash Flows

Year ended December 31	2010	2009
	\$	\$
OPERATIONS		
Annual surplus	1,436,391	894,453
Non-cash charges		
Amortization of tangible capital assets	1,436,382	1,397,800
Loss on disposal of tangible capital assets	17,991	—
	2,890,764	2,292,253
Net change in non-cash working capital balances		
Increase in taxes receivable	(85,187)	(352,691)
Decrease (increase) in user charges receivable	84,204	(47,542)
Decrease in accounts receivable	446,177	1,247,583
Decrease in lease receivable	50,000	50,000
Decrease in accounts payable and accrued liabilities	(363,303)	(791,128)
Increase in deferred revenue	33,630	211,938
Cash provided by operating transactions	3,056,285	2,610,413
CAPITAL		
Acquisition of tangible capital assets	(1,408,715)	(2,221,367)
Purchase of short term investments	(1,800,000)	—
Cash used in capital transactions	(3,208,715)	(2,221,367)
FINANCING		
Repayment of long-term debt	(115,650)	(347,958)
Principle payments on obligations under capital lease	(31,017)	(29,647)
Cash used in financing transactions	(146,667)	(377,605)
Increase (decrease) in cash and cash equivalents	(299,097)	11,441
Opening cash and cash equivalents	3,141,479	3,130,038
Closing cash and cash equivalents	2,842,382	3,141,479

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

GENERAL

The Corporation of the Town of Marathon is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Town of Marathon are prepared by management in accordance with accounting policies generally accepted for the local government as prescribed by the Public Sector Accounting Board ("PSAB") of the CICA. The more significant of these accounting policies are as follows:

[a] Basis of consolidation

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned or controlled by the Town. Accordingly, the following are consolidated in these financial statements.

Marathon Centennial Public Library Board

All interfund balances and transactions have been eliminated.

Joint local boards

The financial activities of certain entities associated with the Town are not consolidated. The Town's contributions to these entities are recorded in the Statement of Operations and Accumulated Surplus. The entities that are accounted for in this manner are:

Thunder Bay District Health Unit

The District of Thunder Bay Social Services Administration Board

Trust funds

Trust funds administered by the Town have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. They are reported separately on the Trust Fund Statement of Financial Position and Statement of Operations and Accumulated Surplus.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards, are not reflected in these financial statements.

[b] Basis of accounting

Accrual accounting

The Town uses the accrual basis of accounting and recognizes revenues as they are levied or earned and become measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in banks.

Inventories

Inventories of supplies, including vehicle parts and road maintenance materials, are charged to operations when purchased. Inventories held for resale are recorded at the lower of cost and net realizable value.

Employee benefits

Vacation pay, sick leave liability and other post-employment benefits are charged to operations in the year earned.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Change in Net Financial Assets for the year.

[a] Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 60 years
Vehicles	10 to 20 years
Machinery and equipment	10 to 30 years
Other	5 to 20 years
Transportation - roads and other structures	20 to 80 years
Underground and other networks	30 to 60 years

Amortization charged in the year of acquisition and in the year of disposal is based on the number of months the asset is in use in that year. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

[b] Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

[c] Tangible capital assets recognized at nominal value

Assets for which there is a difficulty of determining a tenable valuation are assigned a nominal value of one dollar.

[d] Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset, for those interest costs incurred up to the date the asset goes into use, per PS 3150.17.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

[e] Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

[f] Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

Deferred revenue

Deferred revenue represents user charges and fees and government transfers which have been collected but for which the related services have yet to be performed. These accounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges under the authority of provincial legislation and Town by-laws (obligatory reserve funds) as well as Gas Tax proceeds from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses and are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See note 8 for more details.

Reserves and reserve funds

Certain amounts, as approved by the Town Council, are set aside in reserves and reserve funds for future operating and capital purposes.

Investment income

Investment income earned on surplus funds are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the results of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the fiscal period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

Use of estimates

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. Actual results could differ from these estimates.

2. CEMETERY CARE AND MAINTENANCE TRUST FUND

The only trust fund currently administered by the Town is the Cemetery Care and Maintenance Trust Fund. This trust fund which amounts to \$40,846 [2009 - \$36,692] has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. INVESTMENTS

Investments consist of two TD Canada Trust Term Deposits, each having a fair value of \$1,000,000 and maturing in January 2011, both yielding an interest rate of 1.4% at maturity. The 2009 investments consisted of a bond that matured in April, 2010, yielding an interest rate of 4.0% at maturity.

4. LEASE RECEIVABLE

In 2007, the Town entered into an agreement to dispose of a property in the form of a lease with an option to purchase exercisable by the tenant. The agreement provides for the Town to receive monthly payments of \$4,167 until September, 2014.

5. TEMPORARY LOANS

The Town has available a line of credit of \$1,500,000 [2009 - \$1,500,000] for which the Town has provided a general security agreement of which \$nil [2009 - \$nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime plus 1/4%.

6. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2010 was \$135,994 [2009 - \$133,830] for current service.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

7. EMPLOYEE FUTURE BENEFIT OBLIGATIONS

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they retire or leave their employment.

The liability for these days which could be taken by an employee upon voluntary termination of employment amounted to approximately \$44,711 [2009 - \$52,675] at the end of the year. An amount of \$44,711 [2009 - \$52,675] has been provided for this past service liability as a reserve.

8. DEFERRED REVENUE

	2010 \$	2009 \$
Obligatory reserve funds		
Unearned Gas Tax proceeds	331,534	286,979
Other deferred revenue		
Unearned revenue	32,030	42,955
	363,564	329,934

The continuity of deferred revenue is as follows:

	2010 \$	2009 \$
Balance, beginning of year	329,934	117,996
Conditional donations and grant proceeds received in year	34,050	42,955
Gas Tax grant proceeds received in the year	237,916	286,979
Gas Tax earned	(193,361)	—
Conditional donations and grant proceeds earned	(44,975)	(117,996)
Balance, end of year	363,564	329,934

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

9. DEBT

[a] The balance of debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2010 \$	2009 \$
Toronto Dominion Bank		
Term loan repayable in monthly payments of \$16,461 including interest at 4.79%, maturing April, 2021.	1,584,408	1,700,058

[b] Principal due on debt is summarized as follows:

	\$
2011	121,531
2012	127,710
2013	134,204
2014	140,929
2015	148,199
2016 and thereafter	911,835
	1,584,408

The long-term liability noted above was approved by by-law. The annual principal and interest payments required to service this liability is within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[c] The debt in [a] issued in the name of the Town has received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ontario Ministry of Municipal Affairs and Housing.

[d] Total interest charges for debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$81,882 [2009 - \$100,887].

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

10. OBLIGATIONS UNDER CAPITAL LEASE

In 2006, the Town entered into a five-year lease agreement to purchase equipment with General Electric Canada Equipment Financing at a rate of 4.53% per annum.

The future minimum annual lease payments of capital leases, together with the balance of the obligation, are as follows:

	\$
2011	2,660
Less amounts representing interest at a rate of 4.53%	10
	<u>2,650</u>

11. LANDFILL CLOSURE AND POST-CLOSURE

The main components of the landfill closure plan includes final capping using selected specific layers of impermeable materials based on an engineered cap design and implementation of a drainage management plan and gas management plan. The post-closure care requirements will involve cap maintenance, groundwater monitoring, gas management system operation and maintenance and annual inspections and reports as in accordance with Ministry of Environment regulations.

The estimated liability for this care is the present value for future cash flows associated with closure and post-closure costs discounted using the Town's average long-term borrowing rate of 6%. The change in the recorded liability is \$nil [2009 - \$nil] based on a total estimated undiscounted outflow in the future of \$1,985,500 [2009 - \$1,985,500], leaving an amount to be recognized in the future of \$nil [2009 - \$nil] over the closure and post-closure period. The liability is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The Town filed an application with the Ministry of Environment for a six-year extension to the life of the site. The Ministry reviewed the plan and made comments and recommendations which included specific monitoring as well as a built-in contingency plan within the operating plan and recommends closure of the site as soon as possible.

Post-closure care is estimated to continue for a period of approximately 19 years.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

12. TANGIBLE CAPITAL ASSETS

Schedule 2 provides information on the tangible capital assets of the Town by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets in 2010 [2009 - \$nil].

Interest capitalized during 2010 was \$nil [2009 - \$nil].

There were no contributed tangible capital assets in 2010 [2009 - \$nil].

There were no assets recorded at a nominal value in 2010 [2009 - \$nil].

13. SEGMENTED INFORMATION

The Town of Marathon is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance and water. For management reporting purposes the Town's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

General government services are comprised of various administrative services, including the Finance Department, Corporate Services Departments, and Mayor and Council.

Protection to persons and property

Protection to persons and property is comprised of police services, fire services and protective inspection and control. The police services are contracted from the Ontario Provincial Police. The Fire Services Department is responsible for fire suppression, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. Protective inspection and control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants.

Transportation services

Transportation services include roadways, winter control, parking and street lighting. Roadways covers the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, culverts and sidewalks. Winter control includes snowplowing, sanding and salting, snow removal and flood control. Street lighting plans, develops and maintains the street lighting system.

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

Environmental services

Environmental services consist of waterworks, sanitary sewer, waste collection and disposal and recycling. Waterworks provides drinking water to the citizens of Marathon. Sanitary sewer collects and treats wastewater. Waste collection and disposal and recycling includes the collection of solid waste, landfill site operations and waste minimization programs.

Health services

Health services includes public health services, hospital and ambulance services. Public health services covers the Town of Marathon's contribution to the activities of the Thunder Bay District Health Unit. In response to the health needs of the community, the Thunder Bay District Health Unit provides health information and prevention-related clinical services to people of all ages, advocates for healthy public policy, protects citizens by investigating reportable diseases and upholds regulations that apply to public health.

Social and family services

Social and family services include general assistance, assistance to aged persons, child care and assistance to the disabled. General assistance represents the Town's contribution to the activities of The District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for issuing welfare payments, Ontario Works program delivery, employment assistance services and social housing. Under assistance to aged persons, TBDSSAB is responsible for providing services to seniors.

Recreation and cultural services

Recreation and cultural services include parks, recreation programs and facilities, public library and contributions to cultural organizations. The community services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs, the development and maintenance of various recreational facilities and the maintenance of parks and open spaces. The public library is dedicated to providing community access to local and global information resources that support lifelong learning, research and leisure activities. The Town makes contributions to various cultural organizations under specific funding programs.

Planning and development

The planning and development department manages urban development for business interest, environmental concerns, heritage matters and local neighbourhoods through city planning and community development and approval of all land development plans.

For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 3).

The Corporation of the Town of Marathon

Notes to the Consolidated Financial Statements

December 31, 2010

14. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds is as follows:

	2010	2009
	\$	\$
Reserves		
Balance, beginning of year	1,692,635	1,703,380
Increases		
Contribution from operations	549,601	23,440
Decreases		
Contribution to operations	7,965	34,185
Balance, end of year	2,234,271	1,692,635
Reserve funds		
Balance, beginning of year	599,432	461,904
Increases		
Contributions from operations	638,326	134,070
Interest earned	4,477	3,458
	642,803	137,528
Balance, end of year	1,242,235	599,432

Subsequent to the year-end, the general fund surplus has been reduced by an amount of \$540,201 transferred to the working capital reserve as authorized by resolution #166/11 on July 18, 2011. Had this reduction not been made, the balance of the general fund surplus would have been \$1,995,947.

15. DESIGNATED ASSETS

Of the financial assets reported on the Statement of Financial Position, the Council has designated \$1,242,235 [2009 - \$599,432] to support reserve funds.

16. BUDGET FIGURES

The operating budget approved by Town Council for 2010 is reflected on the Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses. The Town does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

The Corporation of the Town of Marathon
Notes to the Consolidated Financial Statements

December 31, 2010

17. COMMITMENTS

The Town leases certain equipment and vehicles under operating leases and has other financial operating commitments. The future minimum annual lease payments over the next three years are as follows:

	\$
2011	549,584
2012	451,882
2013	382,744
	<u>1,384,210</u>

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified for statements previously presented to conform to the 2010 financial statements.

The Corporation of the Town of Marathon Schedule 1 Consolidated Schedule of Accumulated Surplus

Year ended December 31	2010	2009
	\$	\$
Surplus		
General fund	1,455,746	1,262,767
Investments in tangible capital assets	35,225,922	35,271,580
Unfunded		
Debt	(1,584,408)	(1,700,058)
Employee benefits and post employment benefits	(44,711)	(52,675)
Capital lease obligations	(2,650)	(33,667)
Landfill closure and post-closure liability	(1,399,464)	(1,399,464)
Lease receivable	187,500	237,500
Total surplus	33,837,935	33,585,983
Reserves set aside for specific purposes by Council		
For acquisition of capital assets	195,101	185,701
For recreation programs and facilities	244	245
For working capital	1,994,215	1,454,014
For sick leave	44,711	52,675
Total reserves	2,234,271	1,692,635
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	953,592	312,835
For sanitary sewer operations	13,771	13,682
For replacement of equipment	16,089	15,980
For acquisition of cemetery land	—	166
For tax appeal	258,783	256,769
Total reserve funds	1,242,235	599,432
Accumulated surplus	37,314,441	35,878,050

The Corporation of the Town of Marathon Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2010

Schedule 2

	General						Infrastructure			Totals		
	Land \$	Land Improvements \$	Buildings \$	Vehicles \$	Machinery and Equipment \$	Other \$	Assets Under Capital Lease \$	Roads and Other Structures \$	Underground and Other Networks \$	Assets Under Construction \$	2010 \$	2009 \$
COST												
Balance, beginning of year	3,904,276	8,721,048	14,705,137	3,227,989	2,391,888	339,761	131,950	16,012,409	12,967,915	25,603	62,427,976	60,227,141
Add												
Additions during the year	60,503	366,777	39,907	158,972	30,693	19,756	—	249,635	104,102	378,370	1,408,715	2,221,367
Transfers	—	285,254	69,630	—	—	—	—	—	—	(354,884)	—	—
Less												
Disposals during the year	—	702,300	—	190,300	—	15,132	—	26,800	—	—	934,532	20,532
Balance, end of year	3,964,779	8,670,779	14,814,674	3,196,661	2,422,581	344,385	131,950	16,235,244	13,072,017	49,089	62,902,159	62,427,976
ACCUMULATED AMORTIZATION												
Balance, beginning of year	—	5,781,742	7,561,945	1,807,896	1,360,182	141,310	23,092	6,331,198	4,149,031	—	27,156,396	25,779,128
Add												
Amortization during the year	—	188,258	305,165	167,198	93,415	36,800	6,598	426,631	212,317	—	1,436,382	1,397,800
Less												
Accumulated amortization on disposals	—	699,374	—	185,243	—	15,132	—	16,792	—	—	916,541	20,532
Balance, end of year	—	5,270,626	7,867,110	1,789,851	1,453,597	162,978	29,690	6,741,037	4,361,348	—	27,676,237	27,156,396
Net book value	3,964,779	3,400,153	6,947,564	1,406,810	968,984	181,407	102,260	9,494,207	8,710,669	49,089	35,225,922	35,271,580

The Corporation of the Town of Marathon Consolidated Schedule of Segment Disclosure

Schedule 3

Year ended December 31, 2010

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Revenues										
Taxation	5,370,722	5,471,421	—	—	—	—	—	—	—	—
Grants	2,837,838	2,076,325	69,341	36,828	—	—	147,342	783,037	—	—
User fees and service charges	38,066	58,766	127,279	124,652	179,275	221,102	1,195,181	1,281,589	19,201	18,438
Other revenues	428,953	257,530	15,933	50,002	54,893	448	1,362	8,832	8,310	3,279
Interest income - general	35,009	36,700	—	—	—	—	—	—	—	—
Interest income - reserves and reserve funds	4,477	3,458	—	—	—	—	—	—	—	—
	8,715,065	7,904,200	212,553	211,482	234,168	221,550	1,343,885	2,073,458	27,511	21,717
Expenses										
Salaries, wages and employee benefits	803,810	775,221	282,452	272,186	708,866	691,438	221,202	274,361	13,471	13,712
Debt charges	81,882	100,886	—	—	—	—	—	—	—	—
Materials	1,527,936	1,451,458	107,709	74,510	330,262	410,154	475,307	642,788	112,151	114,226
Contracted services	90,222	198,269	1,190,381	1,158,112	45,817	90,598	440,882	312,024	—	3,278
Rent and financials	5,182	4,527	5,349	—	12,910	15,679	—	—	—	—
External transfers	—	—	—	—	—	—	—	—	—	—
Amortization	57,775	57,775	78,092	78,092	600,124	558,106	426,402	396,459	78,586	76,738
	2,566,807	2,588,136	1,663,983	1,582,900	1,697,979	1,765,975	1,563,793	1,625,632	228,169	249,848
Net revenue (expenses)	6,148,258	5,316,064	(1,451,430)	(1,371,418)	(1,463,811)	(1,544,425)	(219,908)	447,826	(200,658)	(228,131)

The Corporation of the Town of Marathon
Schedule 3 (continued)
Consolidated Schedule of Segment Disclosure

Year ended December 31, 2010

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Taxation	—	—	—	—	—	—	—
Grants	31,066	223,293	503,800	55,543	168,360	191,502	5,471,421
User fees and service charges	—	—	466,368	457,555	109	56	3,366,528
Other revenues	5,205	9,079	8,460	130,606	8,981	647	2,162,158
Interest income - general	—	—	—	—	—	—	460,423
Interest income - reserves and reserve funds	—	—	—	—	—	—	35,009
	36,271	232,372	978,628	643,704	177,450	192,205	11,500,688
Expenses							
Salaries, wages and employee benefits	147,380	163,935	898,764	956,658	57,550	57,299	3,204,810
Debt charges	—	—	—	—	—	—	81,882
Materials	20,339	45,387	486,175	416,183	58,253	79,539	3,234,245
Contracted services	6,088	10,082	78,810	202,332	182,277	152,952	2,127,647
Rent and financials	10,944	7,200	5,179	301	—	—	39,564
External transfers	366,622	436,402	—	—	—	—	445,208
Amortization	—	—	226,248	244,829	23,780	20,645	513,140
	551,373	663,006	1,695,176	1,820,303	321,860	310,435	10,606,235
Net revenue (expenses)	(515,102)	(430,634)	(716,548)	(1,176,599)	(144,410)	(118,230)	894,453



Independent Auditor's Report

Grant Thornton LLP

979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571

+1 800 446 4794 (Toll Free)

F +1 807 345 0032

E ThunderBay@ca.gt.com

www.GrantThornton.ca

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of Marathon

We have audited the accompanying financial statements of the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon, which comprise the statement of financial position as at December 31, 2010, and the statement of operations and accumulated surplus 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 public sector accounting standards, 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.

Auditor's 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 auditor's 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 Trust Fund'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 Trust Fund'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 the Cemetery Care and Maintenance Trust Fund of The Corporation of the Town of Marathon as at December 31, 2010, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
July 4, 2011

Chartered Accountants
Licensed Public Accountants

**The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Financial Position**

As at December 31	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash	44,670	28,280
Due from (to) The Corporation of the Town of Marathon	(3,824)	8,412
	<u>40,846</u>	<u>36,692</u>
Accumulated surplus	<u>40,846</u>	<u>36,692</u>

See accompanying notes to the financial statements.

**The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Statement of Operations and Accumulated Surplus**

Year ended December 31	2010	2009
	\$	\$
REVENUES		
Interest earned	298	263
Sale of plots and interments	2,029	800
Provision in lieu of portion of plot sales	3,000	2,100
Contribution from The Corporation of the Town of Marathon	1,155	—
Total revenues	6,482	3,163
EXPENSES		
Cemetery maintenance	2,328	1,063
NET REVENUES	4,154	2,100
Annual surplus	4,154	2,100
Accumulated surplus, beginning of year	36,692	34,592
Accumulated surplus, end of year	40,846	36,692

See accompanying notes to the financial statements.

**The Corporation of the Town of Marathon
Cemetery Care and Maintenance Trust Fund
Notes to the Financial Statements**

December 31, 2010

1. NATURE OF BUSINESS

The Corporation of the Town of Marathon administers a perpetual care trust fund for the future care of the cemetery. The cemetery provides interment services for the benefit of the citizens of Marathon.

2. ACCOUNTING POLICY

Basis of accounting

Capital receipts, interest earned and expenditures are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable, and expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

3. STATEMENT OF CASH FLOWS

The statement of cash flows has not been presented as the required cash flow information is readily apparent from the other financial statements. Cash flows from operations approximates the excess of revenues over expenses.