

THE CORPORATION OF THE TOWN OF MARATHON

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Corporation of the Town of Marathon (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated operating surplus, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2024, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The prior year comparative figures were reported on by another public accounting firm. On September 9, 2024, they expressed an unmodified opinion on the consolidated financial statements of the Town for the year ended December 31, 2023.



Chartered Professional Accountants
Licensed Public Accountants

Sault Ste. Marie, Canada
June 9, 2025

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31,	2024	2023
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents [note 3]	2,321,518	1,883,442
Investments [note 4]	7,947,406	7,628,112
Taxes receivable [note 5]	730,755	535,706
User charges receivable	73,768	96,974
Accounts receivable	927,165	1,446,124
	<u>12,000,612</u>	<u>11,590,358</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,760,926	4,545,680
Deferred revenue [note 7]	2,074,530	1,529,772
Debt [note 9]	19,179,133	11,255,991
Asset retirement obligations [note 10]	710,216	732,531
	<u>23,724,805</u>	<u>18,063,974</u>
NET FINANCIAL DEBT	<u>(11,724,193)</u>	<u>(6,473,616)</u>
NON - FINANCIAL ASSETS		
Tangible capital assets [schedule 2]	54,727,592	52,393,282
Prepaid expenses	27,500	23,600
	<u>54,755,092</u>	<u>52,416,882</u>
ACCUMULATED SURPLUS		
Accumulated operating surplus [Schedule 1]	42,781,408	45,670,114
Accumulated re-measurement gains	249,491	273,152
	<u>43,030,899</u>	<u>45,943,266</u>

See accompanying notes to the consolidated financial statements.

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED STATEMENT OF OPERATIONS AND
ACCUMULATED OPERATING SURPLUS**

YEAR ENDED DECEMBER 31,	Budget	2024	2023
	\$ [note 13]	\$	\$
REVENUE [schedule 3]			
Taxation	5,752,323	5,882,492	5,570,903
User Charges			
Water and sewer	1,358,631	1,380,562	1,324,348
Other fees and service charges	1,816,857	1,684,830	1,601,783
	3,175,488	3,065,392	2,926,131
Government Transfers			
Government of Canada	147,000	280,688	438,018
Province of Ontario	1,990,415	2,216,360	2,665,156
	2,137,415	2,497,048	3,103,174
Other			
Investment income	414,192	563,967	434,406
Penalties and interest on taxes	97,820	105,004	97,820
Gain (loss) on disposal of tangible capital assets	250,000	(2)	(31,677)
Sundry	383,042	375,364	482,203
Rental	716,400	716,375	691,449
	1,861,454	1,760,708	1,674,201
TOTAL REVENUE	12,926,680	13,205,640	13,274,409
EXPENDITURES [schedule 3]			
General government	2,423,125	2,427,805	2,175,422
Protection to persons and property	1,637,008	1,746,865	1,610,327
Transportation services	2,975,224	2,919,621	2,767,745
Environmental services	2,883,016	2,378,638	2,554,669
Health services	482,956	525,849	339,861
Social and family services	1,250,894	1,252,247	1,218,936
Recreation and cultural services	5,441,088	4,648,760	3,053,123
Planning and development	204,768	194,561	249,843
TOTAL EXPENDITURES	17,298,079	16,094,346	13,969,926
Annual operating deficit	(4,371,399)	(2,888,706)	(695,517)
Accumulated operating surplus, beginning of year	45,670,114	45,670,114	46,365,631
Accumulated operating surplus, end of year	41,298,715	42,781,408	45,670,114

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

YEAR ENDED DECEMBER 31,	2024	2023
	\$	\$
Accumulated remeasurement gains, beginning of year	273,151	-
Change in accounting policy	-	554,056
Unrealized gains (losses) attributable to derivatives	(23,660)	(280,905)
Accumulated remeasurement gains, end of year	249,491	273,151

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT DECEMBER 31,	Budget	2024	2023
	\$	\$	\$
	<i>[note 13]</i>		
Annual operating deficit	(4,371,399)	(2,888,706)	(695,517)
Acquisition of tangible capital assets	(4,116,547)	(4,474,674)	(9,143,809)
Amortization of tangible capital assets	2,138,877	2,138,877	1,978,109
Proceeds on Sale Tangible Capital Assets	-	1,485	10,487
Loss on disposal of Tangible Capital Assets	-	2	31,677
Acquisition of prepaid expenses	-	(27,500)	(23,600)
Utilization of prepaid expenses	-	23,600	21,050
Remeasurement losses	-	(23,660)	(280,905)
Change in accounting policy	-	-	554,056
CHANGE IN NET FINANCIAL ASSETS	(6,349,069)	(5,250,576)	(7,548,452)
Net Financial Assets, beginning of Year	(6,473,617)	(6,473,617)	1,074,835
Net Financial Assets, end of Year	(12,822,686)	(11,724,193)	(6,473,617)

See accompanying notes to the consolidated financial statements.

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31,	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Annual operating deficit	(2,888,706)	(695,517)
Non-cash changes		
Amortization of tangible capital assets	2,138,877	1,978,109
Loss (gain) on disposal of tangible capital assets	2	31,677
Increase (decrease) in asset retirement obligations	(38,300)	-
Accretion of asset retirement obligations	15,985	26,817
Net remeasurement gains (losses)	(23,660)	273,151
	(795,802)	1,614,237
Net change in non-cash working capital balances		
Increase in taxes receivable	(195,049)	(56,402)
Decrease (increase) in user charges receivable	23,206	(50,105)
Decrease (increase) in accounts receivable	518,959	(750,926)
Increase in prepaid expenses	(3,900)	(2,550)
Increase (decrease) in accounts payable and accrued liabilities	(2,784,754)	2,569,701
Increase in deferred revenue	544,758	224,578
Cash provided by (used in) operating transactions	(2,692,582)	3,548,533
CAPITAL		
Acquisition of tangible capital assets	(4,474,674)	(9,143,809)
Proceeds on disposal of tangible capital assets	1,485	10,487
Cash used in capital transactions	(4,473,189)	(9,133,322)
INVESTING		
Decrease (increase) in investments	(319,294)	492,671
Cash provided by (used in) investing transactions	(319,294)	492,671
FINANCING		
Repayment of long-term debt	(280,231)	(567,390)
Proceeds from long-term debt	8,203,372	3,961,550
Cash provided by financing transactions	7,923,141	3,394,160
Increase (decrease) in cash and equivalents	438,076	(1,697,958)
Cash and cash equivalents, beginning of year	1,883,442	3,581,400
CASH AND CASH EQUIVALENTS, END OF YEAR	2,321,518	1,883,442

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWN OF MARATHON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

GENERAL

The Corporation of the Town of Marathon ("the Town") is a municipality in the province of Ontario, Canada. It conducts its operations in accordance with the provisions of provincial statutes such as the Municipal Act and related legislation.

MANAGEMENT RESPONSIBILITY

The consolidated financial statements of the Town are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of The Corporation of the Town of Marathon ("Town") 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 CPA Canada. 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 and 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
Marathon Seniors Supportive Housing Corporation ("MSSHC")
Marathon Economic Development Corporation (in-active)

All interfund balances and transactions have been eliminated.

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 Consolidated 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

THE CORPORATION OF THE TOWN OF MARATHON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

Trust funds

Certain assets have been conveyed or assigned to the Town to be administered as directed by agreement or statute. The Town holds the assets for the benefit of and stand in fiduciary relationships to the beneficiaries, as a result, the trust funds and assets are excluded from these consolidated financial statements.

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 consolidated financial statements.

[b] BASIS OF ACCOUNTING

Accrual accounting

The Town uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. The Town recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Cash and cash equivalents

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

Employee benefits

The Town accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined benefit plan. Obligations for sick leave under employee benefits payable are accrued as the employees render the services necessary to earn the benefits. Vacation pay and other post-employment benefits are charged to operations in the year earned.

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 less accumulated amortization and write-downs, if any. Cost 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:

Buildings	20 to 60 years
Land improvements	20 to 40 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
Vehicles	10 to 20 years

THE CORPORATION OF THE TOWN OF MARATHON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

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 transferred to their respective tangible capital asset categories.

[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 does not have 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.

[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 to the Town are accounted for as the acquisition of a capital asset and the incurrence of an obligation at the present value of future minimum lease payments. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Taxation revenue

Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Property tax billings are prepared by the Town based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Town is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

At each financial statement date, management evaluates the extent to which the taxes receivable are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount. At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Reserves and reserve funds

Council segregates its accumulated surplus into various categories including reserve and reserve funds which are specifically for future operating and capital purposes.

Revenue recognition

User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.

THE CORPORATION OF THE TOWN OF MARATHON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

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.

Rental revenue is recognized when rent is receivable based on tenant occupancy.

Prepaid rents are recorded as accounts payable and accrued liabilities.

Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus in the year in which it is used for the specified purpose.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as a revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers made to a recipient by the Town are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

The Town receives Canadian Community Building Fund ("CCBF") 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, are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. These estimates and assumptions are based on management's historical experiences, best knowledge of current events and actions that the Town may undertake in the future. Significant accounting estimates include valuation of allowance for accounts receivable, estimated useful lives of tangible capital assets, and asset retirement obligations. Actual results could differ.

Financial instruments

Cash, equity investments (quoted in an active market), and derivatives are measured at fair value. All other financial instruments are recorded at their cost or amortized cost. Unrealized gains and losses from changes in the fair value are recognized in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the statement of operations.

Transaction costs, related to financial instruments measured at cost or amortized cost, are added to the carrying value of the financial instrument. Transaction costs, related to financial instruments recorded at their fair values, are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expired.

THE CORPORATION OF THE TOWN OF MARATHON

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

Asset retirement obligations

A liability for an asset retirement obligation is recognized when all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event, giving rise to the liability, has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is measured at the Town's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof). For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for:

- Changes as a result of the passage of time with corresponding accretion expense
- Any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate.

Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use. These are expensed in the period they are incurred.

The asset retirement costs are amortized on a rational basis based on use. The Town only has one asset retirement obligation relating to a landfill which is amortized based on the proportion of capacity used to date.

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

Derivative

The Town has entered into an interest rate swap agreement as an "economic hedge" to manage the volatility to interest rates relating to its MSSHC loan. The Town's policy is not to utilize derivative financial instruments for trading or speculative purposes. It is management's intention to hold the interest rate swap to maturity. Derivatives are initially recorded at fair value and are subsequently measured at fair value.

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 \$84,280 [2023 - \$80,290] 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.

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

3. CASH AND CASH EQUIVALENTS

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

4. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides the carrying amount information of the Public Sector Entity's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

Financial Instrument	2024		2023	
	Amortized Cost/Cost	Fair Value	Amortized Cost/Cost	Fair Value
	\$	\$	\$	\$
Cash	2,321,518	-	1,883,442	-
Investments	7,947,406	-	7,628,112	-
User charges receivable	73,768	-	96,974	-
Accounts receivable	927,165	-	1,446,124	-
Accounts payable and accrued liabilities	1,760,926	-	4,545,680	-
Debt	19,428,624	(249,491)	11,529,142	(273,151)
	32,459,407	(249,491)	27,129,474	(273,151)

The following table provides an analysis of financial instruments that are subsequently measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instrument	2024		
	Level 1	Level 2	Level 3
	\$	\$	\$
Derivative	-	249,491	-
Total	-	249,491	-

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2024. There were also no transfers in or out of Level 3.

5. TAXES RECEIVABLE

	2024	2023
	\$	\$
Property and business taxes receivable	1,323,755	1,127,706
Allowance for property and business tax arrears	(593,000)	(592,000)
	730,755	535,706

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

6. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all the pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2024. The results of this valuation disclosed total actuarial liabilities of \$142,489 million with respect to benefits accrued for services with actuarial assets at that date of \$139,576 million indicating an actuarial deficit of \$2,913 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2024 was \$296,124 [2023 - \$287,030] for current service.

7. DEFERRED REVENUE

	2024 \$	2023 \$
Unearned Canada Community Building Fund proceeds	1,104,149	880,131
Province of Ontario	110,002	110,002
Ontario Community Infrastructure Fund	596,096	474,357
CMHC Housing Accelerator Fund	237,687	-
Other	26,596	65,282
	2,074,530	1,529,772

The continuity of deferred revenue is as follows:

	2024 \$	2023 \$
Balance, beginning of year:	1,529,772	1,305,194
Canada Community Building Fund proceeds received	247,423	255,340
Conditional grant and other revenue received	769,856	333,252
Canada Community Building Fund proceeds utilized	(23,405)	-
Conditional grant and other revenue utilized	(449,116)	(364,014)
Balance, end of year	2,074,530	1,529,772

8. 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 \$nil in write-downs of assets in 2024 [2023 - \$nil].

Interest capitalized during 2024 was \$nil [2023 - \$nil].

There were no contributed tangible capital assets in 2024 [2023 - \$nil].

There were no assets recorded at a nominal value in 2024 [2023 - \$nil].

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

9. DEBT

[a] The Town has available a line of credit of \$1,500,000 [2023 - \$1,500,000] for which the Town has provided a general security agreement of which \$nil [2023 - \$nil] was borrowed at year-end. Interest on the line of credit is calculated at bank prime less 0.75%.

The balance of debt recorded on the Consolidated Statement of Financial Position is made up of:

	2024	2023
	\$	\$
TD Canada Trust		
MSSHC loan amortized over a 30-year period ending August 31, 2048, repayable in monthly payments of \$33,272 including interest at 3.587% maturing September 30, 2028.	6,362,202	6,529,976
Demand facility for the pre-construction phase of the Active Living Centre. Interest is paid each month. Upon completion of this phase, a term loan will be issued to the Town for the total advances and repayment will commence.	1,681,848	-
Ontario Infrastructure and Lands Corporation		
Debenture loan repayable in semi-annual payments of \$82,161 including interest at 2.81% maturing October 2030.	901,500	1,037,615
Advances for the construction of the Works Garage. Interest is paid each month. Upon completion of the construction, a debenture will be issued to the Town for the total advances and repayment will commence.	10,483,074	3,961,550
	<u>19,428,624</u>	<u>11,529,141</u>
Less fair value adjustment of derivatives	249,491	273,151
	<u>19,179,133</u>	<u>11,255,990</u>

[b] Future principal payments on long-term debt, assuming refinancing at similar terms and conditions, are approximately as follows:

	\$
2025	313,859
2026	324,160
2027	334,805
2028	345,806
2029	357,172
Thereafter	17,752,822
	<u>19,428,624</u>

[c] The Ontario Infrastructure and Lands Corporation debenture in [a] issued in the name of the Town has been approved by By-law #1889. The TD Canada Trust loan repayable was issued to MSSHC. 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 the debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$639,467 [2023 - \$292,900]

[e] As security on the above TD Bank loan, the Town has provided an unlimited guarantee and:

- A general security agreement covering all present and future assets of MSSHC.
- Assignment of MSSHC Fire Insurance in the minimum amount of \$13,875,000.
- General Assignment of MSSHC Rents and Leases representing a first charge.

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

10. ASSET RETIREMENT OBLIGATION

The Town has recognized an asset retirement obligation related to the future costs associated with site inspection, site maintenance and water quality monitoring related to the Town's landfills.

A reconciliation of the aggregate carrying amount of the liability is as follows:

	2024	2023
	\$	\$
Opening balance	732,531	705,714
Accretion expense	(22,315)	26,817
Closing balance	<u>710,216</u>	<u>732,531</u>

The liability is estimated using a present value technique that discounts the expected future expenditures. The discount rate used was based on the borrowing rate for liabilities with similar risks and maturity of 3.80% [2023 - 3.80%].

The Town owns and operates one landfill site and one closed landfill site. The active landfill site was opened in July 2015 covering 16.1 acres with a capacity of 844,395 tonnes. As at December 31, 2024, the remaining capacity of the site is estimated at 567,009 tonnes representing 67.15% of the total capacity. The open site is expected to close when it reaches its capacity in 2141.

The closure and post-closure costs for the open landfill site, and the post-closure costs for the closed site, are based upon best estimates by management. Post-closure care for the open landfill site is estimated to be required for 20 years from the date of closure. Post-closure care for the closed landfill site is estimated to be required until 2035.

11. 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 department. These departments are reported by functional area in the body of the consolidated financial statements, similar to reporting reflected in the Ontario Financial Information Return. For each segment separately reported, the revenue and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. 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 extinguishments 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 bylaws for the protection of occupants.

Transportation services

Transportation services include roadways, winter control, parking, street lighting and airport. 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

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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 and ambulance. Public health services represents the Town of Marathon's contribution to the activities of the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services; advocates for healthy public policy; investigates reportable diseases; and upholds regulations that apply to public health.

Social and family services

Social and family services represents the Town of Marathon's contribution to the activities of The District of Thunder Bay Social Services Administration Board (TBDSSAB), the local food bank and Marathon Seniors Supportive Housing Corporation. TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

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, 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.

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).

12. RESERVES AND RESERVE FUNDS

The continuity of reserves and reserve funds, which make up part of accumulated surplus noted in Schedule 1, is as follows:

	2024	2023
	\$	\$
RESERVES		
Balance, beginning of year	2,842,632	3,984,520
Contributions to reserves	16,849	2,000
Contributions to operations	(460,531)	(1,143,888)
Balance of Reserves, end of year	2,398,950	2,842,632
RESERVE FUNDS		
Balance, beginning of year	5,260,172	4,753,431
Interest earned	300,119	196,387
Contributions to reserve funds	161,890	310,354
Balance of Reserve Funds, end of year	5,722,181	5,260,172

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

13. BUDGET FIGURES

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the Statement of Operations and Accumulated Operating Surplus has been adjusted to be presented on a basis consistent with actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements:

	Approved Fiscal Plan \$	PSAS Adjustments \$	Fiscal Plan per Financial Statements \$
Revenues			
Taxation	5,752,323	-	5,752,323
User charges	3,175,488	-	3,175,488
Government transfers	2,137,415	-	2,137,415
Other	1,611,454	-	1,611,454
	12,676,680	-	12,676,680
Sale of tangible capital assets	250,000	-	250,000
Expenses			
General government	2,398,497	24,628	2,423,125
Protection to persons and property	1,555,708	81,300	1,637,008
Transportation services	2,034,884	940,340	2,975,224
Environmental services	2,411,658	471,358	2,883,016
Health services	448,968	33,988	482,956
Social and family services	992,396	258,498	1,250,894
Recreation and cultural services	5,112,323	328,765	5,441,088
Panning and development	204,768	-	204,768
	15,159,202	2,138,877	17,298,079
Subtotal	(2,232,522)	(2,138,877)	(4,371,399)
Transfer to reserves	-	-	-
Use of reserves	(212,347)	-	-
Purchase of tangible capital assets	853,060	-	-
Debt proceeds	(4,116,547)	-	-
Amortization	5,708,356	-	-
	-	2,138,877	-
Net deficit	-	-	-

14. DESIGNATED ASSETS

Of the financial assets reported on the Consolidated Statement of Financial Position, the Council has designated \$5,722,181 [2023 - \$5,260,172] to support reserve funds.

THE CORPORATION OF THE TOWN OF MARATHON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

15. COMMITMENTS

The Town has certain multi-year service agreements and equipment operating leases. The future minimum annual payments over the next four years is as follows:

	\$
2025	484,104
2026	479,688
2027	478,823
2028	476,451
2029	469,731
	<u>2,388,797</u>

The most significant commitment is the contract with Northern Waterworks Inc. to operate the Town's water and wastewater facilities up to December 31, 2030.

16. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Risk disclosures

The Town is exposed to various risks through its financial instruments. The following analysis provides a measure of the Town's risk exposure as of December 31, 2024.

Credit risk

Credit risk is the risk that clients may experience financial difficulties and be unable to fulfil their obligations. The Town's exposure to credit risk arises from the possibility of property owners not paying property tax or water user fees. The Town regularly reviews its receivables and if needed, will establish an allowance, based on its best estimate, of potentially uncollectible amounts. There has been no change in credit risk from the previous year. Amounts where no allowance has been estimated are expected to be collected within one year.

Liquidity risk

Liquidity risk is the risk that the Town will not be able to meet all cash outflow obligations as they come due. The Town mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. There are no significant changes from the previous year in the exposure of risk or policies and procedures used to measure the risk. All accounts payable are expected to be paid within the next year. Debt repayments are broken down in Note 9.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Town operates within the constraints of Part XIII of the Ontario Municipal Act. The investment portfolio of bonds and equity is managed by the One Investment Board, monitored by management, and reported to Council annually in accordance with the Town's investment policy.

Interest rate risk

Interest rate risk is the potential for financial loss caused by the fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Town is exposed to this risk through its interest-bearing investments and debt. Exposure to fluctuating interest rates with long-term debt is mitigated with an interest rate swap agreement with the lender. There have been no significant changes from the previous year in the exposure of risk or policies, procedures and methods used to measure the risk.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED SCHEDULE OF ACCUMULATED OPERATING
SURPLUS**

SCHEDULE 1

YEAR ENDED DECEMBER 31,	2024	2023
	\$	\$
Surplus		
General Fund*	71,525	(2,568,641)
Investments in tangible capital assets	54,727,592	52,393,282
Unfunded		
Debt	(19,428,624)	(11,529,141)
Asset retirement obligations	(710,216)	(728,190)
Total surplus	34,660,277	37,567,310
Reserves set aside for specific purposes by Council		
For acquisition of capital assets	489,504	796,738
For contingency	250,000	250,000
For working capital	1,659,446	1,795,894
Total reserves	2,398,950	2,842,632
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	255,137	204,157
For water and sewer operations	5,467,044	5,056,015
Total reserve funds	5,722,181	5,260,172
Accumulated operating surplus	42,781,408	45,670,114
*General Fund consists of:		
Capital Fund	458,101	504,206
Debt proceeds received subsequently	(436,879)	(3,111,007)
Unexpended capital financing (unfinanced capital outlay)	21,222	(2,606,801)
Marathon Seniors Supportive Housing Corporation	2,056	(2,160)
Marathon Centennial Public Library Board	48,247	40,320
	71,525	(2,568,641)

Subsequent to year-end, Council authorized a transfer of \$136,448 from the reserve for working capital to the general fund deficit. Had the increase not been made, the balance of the general fund deficit would have been (\$64,923).

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

SCHEDULE 2

YEAR ENDED DECEMBER 31, 2024

	General						Infrastructure			Totals	
	Land \$	Land Improvements \$	Buildings \$	Vehicles \$	Machinery and Equipment \$	Other \$	Roads and Other Structures \$	Underground and Other Networks \$	Assets Under Construction \$	2024 \$	2023 \$
COST											
Balance, beginning of year	3,859,119	10,948,662	24,469,955	6,146,000	3,617,899	554,750	20,799,865	17,516,925	9,044,196	96,957,371	87,935,650
Add											
Additions during the year	-	104,254	2,577,538	417,502	1,306,479	-	-	-	68,901	4,474,674	9,143,809
Transfers in	-	1,334,077	7,737,155	-	-	-	-	-	-	9,071,232	-
Less											
Disposals during the year	-	30,000	117,098	-	12,900	103,219	-	-	-	263,217	122,088
Transfers out	-	-	-	-	-	-	27,036	-	9,044,196	9,071,232	-
Balance, end of year	3,859,119	12,356,993	34,667,550	6,563,502	4,911,478	451,531	20,772,829	17,516,925	68,901	101,168,828	96,957,371
ACCUMULATED AMORTIZATION											
Balance, beginning of year	-	6,566,617	9,931,599	2,881,658	2,585,342	343,803	12,484,612	9,770,458	-	44,564,089	42,665,904
Add											
Amortization during the year	-	227,426	604,785	306,524	100,297	12,619	593,513	293,713	-	2,138,877	1,978,109
Less											
Accumulated amortization on disposals	-	30,000	115,611	-	12,900	103,219	-	-	-	261,730	79,924
Balance, end of year	-	6,764,043	10,420,773	3,188,182	2,672,739	253,203	13,078,125	10,064,171	-	46,441,236	44,564,089
Net book value, beginning of year	3,859,119	4,382,045	14,538,356	3,264,342	1,032,557	210,947	8,315,253	7,746,467	9,044,196	52,393,282	45,269,746
Net book value, end of year	3,859,119	5,592,950	24,246,777	3,375,320	2,238,739	198,328	7,694,704	7,452,754	68,901	54,727,592	52,393,282

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE**

SCHEDULE 3

YEAR ENDED DECEMBER 31, 2024

	General Government		Protection to Persons and Property		Transportation Services		Environmental Services		Health Services	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Taxation	5,882,492	5,570,903	-	-	-	-	-	-	-	-
Government transfers	1,649,765	1,672,884	290,812	63,140	110,691	386,803	370,519	103,964	-	-
User fees and service charges	86,134	84,172	214,723	124,248	214,932	334,307	1,788,176	1,664,706	108,979	95,507
Other Revenues	115,602	249,589	4,255	2,508	-	-	-	-	45,336	31,713
Interest income - general	549,169	421,316	10,953	9,196	-	-	-	-	-	-
	8,283,162	7,998,864	520,743	199,092	325,623	721,110	2,158,695	1,768,670	154,315	127,220
EXPENSES										
Salaries, wages, employee benefits	1,005,484	1,094,555	467,241	344,625	1,210,468	1,182,211	500,726	482,880	29,106	12,436
Debt charges	407,977	55,508	-	-	-	-	-	-	-	-
Materials	722,899	702,474	172,513	212,373	719,265	654,337	493,540	569,338	35,079	13,591
Contracted services	233,702	255,276	1,025,811	972,029	45,212	112,875	913,014	1,018,300	42,725	54,321
Rent and financials	33,115	42,348	-	-	4,336	5,002	-	-	-	-
External transfers	-	-	-	-	-	-	-	-	384,951	225,526
Amortization	24,628	25,261	81,300	81,300	940,340	813,320	471,358	484,151	33,988	33,987
	2,427,805	2,175,422	1,746,865	1,610,327	2,919,621	2,767,745	2,378,638	2,554,669	525,849	339,861
Annual operating surplus (deficit)	5,855,357	5,823,442	(1,226,122)	(1,411,235)	(2,593,998)	(2,046,635)	(219,943)	(785,999)	(371,534)	(212,641)

**THE CORPORATION OF THE TOWN OF MARATHON
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE**

SCHEDULE 3 (continued)

YEAR ENDED DECEMBER 31, 2024

	Social and Family Services		Recreation and Cultural Services		Planning and Development		Total	
	2024 \$	2023 \$	2024 \$	2023 \$	2024 \$	2023 \$	2024 \$	2023 \$
REVENUES								
Taxation	-	-	-	-	-	-	5,882,492	5,570,903
Government transfers	-	-	49,215	50,988	26,046	825,395	2,497,048	3,103,174
User fees and service charges	-	-	652,448	623,191	-	-	3,065,392	2,926,131
Other Revenues	809,180	806,918	41,470	7,516	180,898	141,551	1,196,741	1,239,795
Interest income - general	3,834	3,894	11	-	-	-	563,967	434,406
	813,014	810,812	743,144	681,695	206,944	966,946	13,205,640	13,274,409
EXPENSES								
Salaries, wages, employee benefits	-	-	1,388,547	1,428,471	43,092	97,913	4,644,664	4,643,091
Debt charges	231,490	237,393	-	-	-	-	639,467	292,901
Materials	254,797	254,543	2,861,446	1,216,175	151,469	151,930	5,411,008	3,774,761
Contracted services	296,713	267,595	69,737	126,659	-	-	2,626,914	2,807,055
Rent and financials	432	433	265	226	-	-	38,148	48,009
External transfers	210,317	200,474	-	-	-	-	595,268	426,000
Amortization	258,498	258,498	328,765	281,592	-	-	2,138,877	1,978,109
	1,252,247	1,218,936	4,648,760	3,053,123	194,561	249,843	16,094,346	13,969,926
Annual operating surplus (deficit)	(439,233)	(408,124)	(3,905,616)	(2,371,428)	12,383	717,103	(2,888,706)	(695,517)