



# ANNUAL FINANCIAL REPORT

# 2011

FISCAL YEAR ENDED DECEMBER 31

Montréal 



**Prepared by the  
Service des finances,  
Direction de la  
comptabilité et du  
contrôle financier**

# **ANNUAL FINANCIAL REPORT**

# 2011

**FISCAL YEAR ENDED DECEMBER 31**

DEPOSITED AT THE CITY CLERK'S OFFICE OF THE  
VILLE DE MONTRÉAL ON MAY 31, 2012



## Table of Contents 2011

	Page
<b>INTRODUCTION</b>	
Message from the Mayor and the Chairman of the Executive Committee, responsible for Finance .....	III
Message from the Director General and Treasurer.....	IV
Map of the Montréal Region.....	VII
Municipal Organization.....	IX
 <b>CONSOLIDATED FINANCIAL INFORMATION</b>	
The Municipal Administration's Responsibility for Financial Reporting.....	1
Independant Auditor's Report of the Auditor General of Montréal.....	2
Independant Auditor's Report.....	4
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	7
Consolidated Statement of Operations.....	8
Consolidated Statement of the Change in Net Debt.....	9
Consolidated Statement of Cash Flows.....	10
Segment Disclosures	
Schedule 1 – Consolidated Financial Position by Organization.....	11
Schedule 2 – Consolidated Itemized Operations by Organization.....	12
Schedule 3 – Reconciliation of Consolidated Operating Surplus for Tax Purposes by Organization.....	13
Schedule 4 – Reconciliation of Consolidated Surplus (deficit) of Capital Asset Activities for Tax Purposes by Organization .....	14
Schedule 5 – Consolidated Expenditures by Item and by Organization.....	15
Notes and Tables to the Consolidated Financial Statements.....	17
Table 1 – Consolidated Operating Surplus for Tax Purposes by Responsibility.....	38
Table 2 – Consolidated Surplus of Capital Asset Activities for Tax Purposes by Responsibility.....	40
Table 3 – Consolidated Accumulated Surplus .....	42
Table 4 – Consolidated Net Total Long-Term Debt.....	43
 <b>FINANCIAL INFORMATION OF THE MUNICIPAL ADMINISTRATION</b>	
Breakdown by Responsibility	
Non-Consolidated Operating Surplus for Tax Purposes by Responsibility.....	46
Non-Consolidated Surplus of Capital Asset Activities for Tax Purposes by Responsibility.....	48
Non-Consolidated Accumulated Surplus by Responsibility.....	50
Non-Consolidated By-item Amounts for Tax Purposes by Responsibility.....	52
Water Management	
Non-Consolidated Operating Surplus for Tax Purposes Related to Water Management by Responsibility.....	54
Non-Consolidated Surplus of Capital Asset Activities for Tax Purposes Related to Water Management by Responsibility.....	56
Breakdown of Mixed Expenditures	
Independant Auditor's Report of the Auditor General of Montréal on the Breakdown of Mixed Expenditures.....	58
Table of Breakdown of Mixed Expenditures by Responsibility.....	60
Supplementary Notes.....	62





# 2011 Introduction





# Message from the Mayor and from the Chair of the Executive Committee, Responsible for Finance

Dear Fellow Residents,

Montréal's 2011 fiscal year, excluding municipally controlled agencies, ended with a slightly better than \$79 million surplus. Of this amount, \$26 million was generated by the central city's financial activities and \$53 million by those of the boroughs.

This surplus demonstrates that the broad process of consolidating municipal finances we launched in 2011 has paid off. Last year's cost-cutting measures produced savings of \$130 million, kept the budget balanced, greatly shaped our budgetary decisions and enabled us to avoid excessive tax hikes for 2012.

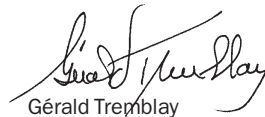
The boroughs' surplus primarily resulted from higher-than-expected licence and permit revenues, thanks to Montréal's booming property market. This is excellent news. Furthermore, the financial implications of a favourable decision in the long-standing dispute between the Régie intermunicipale de gestion des déchets sur l'île de Montréal and the firm Foster Wheeler also contributed to the boroughs' excellent figures.

With 2011 results in, the boroughs will have an accumulated surplus of more than \$190 million, or 19% of their budget. This gives them considerable leeway for meeting contingencies. However, the central city's surplus is equal to 0.5% of its total budget. Consequently, our Administration promptly implemented a belt-tightening plan to maintain our balance between revenues and expenditures. As we know, the city is required to keep a balanced budget.

Our prudent financial management and compliance with our budgetary targets has recently been recognized by such ratings agencies as Moody's, which once again set the city's credit rating at Aa2, for what is now the seventh year in a row. Furthermore, the perspective for retaining this rating remains stable. Despite great media attention to the impact of credit ratings on public and institutional economies, we are delighted by this positive outlook for our credit rating, enabling us to save taxpayers millions of dollars in interest charges.

To preserve this balance and ensure that we can follow through on our projects, we must not only control costs and expenditures, but act decisively. We must continually build on our efforts to increase operational efficiency through optimization projects, downsizing and revised borough funding. We must also cap the constantly growing costs of our pension plans. These priorities constitute the true gauges of success in preserving quality services and an outstanding living environment for Montrealers at low cost.

Mayor of Montréal



Gérald Tremblay

Chair of the Executive Committee, Responsible for Finance



Michael Applebaum

# Message from the City Manager and from the Treasurer

Ladies and Gentlemen,

The financial statements we are submitting on this day of May 31, 2012 present a faithful portrait in their consolidated version of the city's financial activities for the 2011 period. The statements cover all accounts of the entity constituting the city and the agencies it controls. We will focus here only on the results for the municipal entity: the city administration, excluding controlled agencies.

As at December 31, 2011, the city had posted a surplus of \$79 million, \$53 million of which was created by borough activities. These strong results clearly demonstrate that our municipal cost-cutting initiatives and financial strategies have maintained Montréal's budgetary balance and fiscal stability.

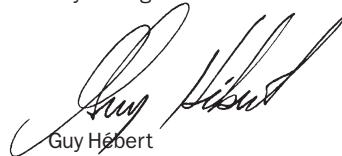
Montréal's soaring real-estate market also generated an increase of some \$42 million in transfer fees. We also saw general revenue growth of over \$30 million from licence and permit issuance and the park and playground fund.

The resolution of lawsuits, including one involving the firm Foster Wheeler regarding the cancellation of a construction project for a solid waste recycling centre and a municipal incinerator, yielded \$35 million in contingency savings.

These positive results are clearly due to sound financial management. But we must replenish the central city's surplus, which has been greatly diminished. After paying this \$53 million surplus to its boroughs, the city's margin of manoeuvre is only \$26 million. That is why we must diligently proceed with our cost-cutting efforts, while maintaining effective, thorough and rigorous management of public moneys. In addition to balancing the 2012 budget, we hope that the recurring measures we have installed will generate additional reserves. At the same time, we intend to pursue our efforts to cut pension plan outlays, a crucial concern for municipal finance.

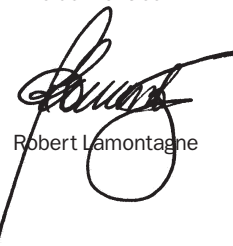
With much pride and gratitude, we would also like to thank all municipal employees for their united, responsible and dedicated help in achieving these positive results. We are pleased by their invaluable cooperation, which has continued under the new City Manager's office.

City Manager



Guy Hébert

Senior Director, Service des finances and Treasurer,  
Ville de Montréal



Robert Lamontagne



## Introduction - Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

## NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

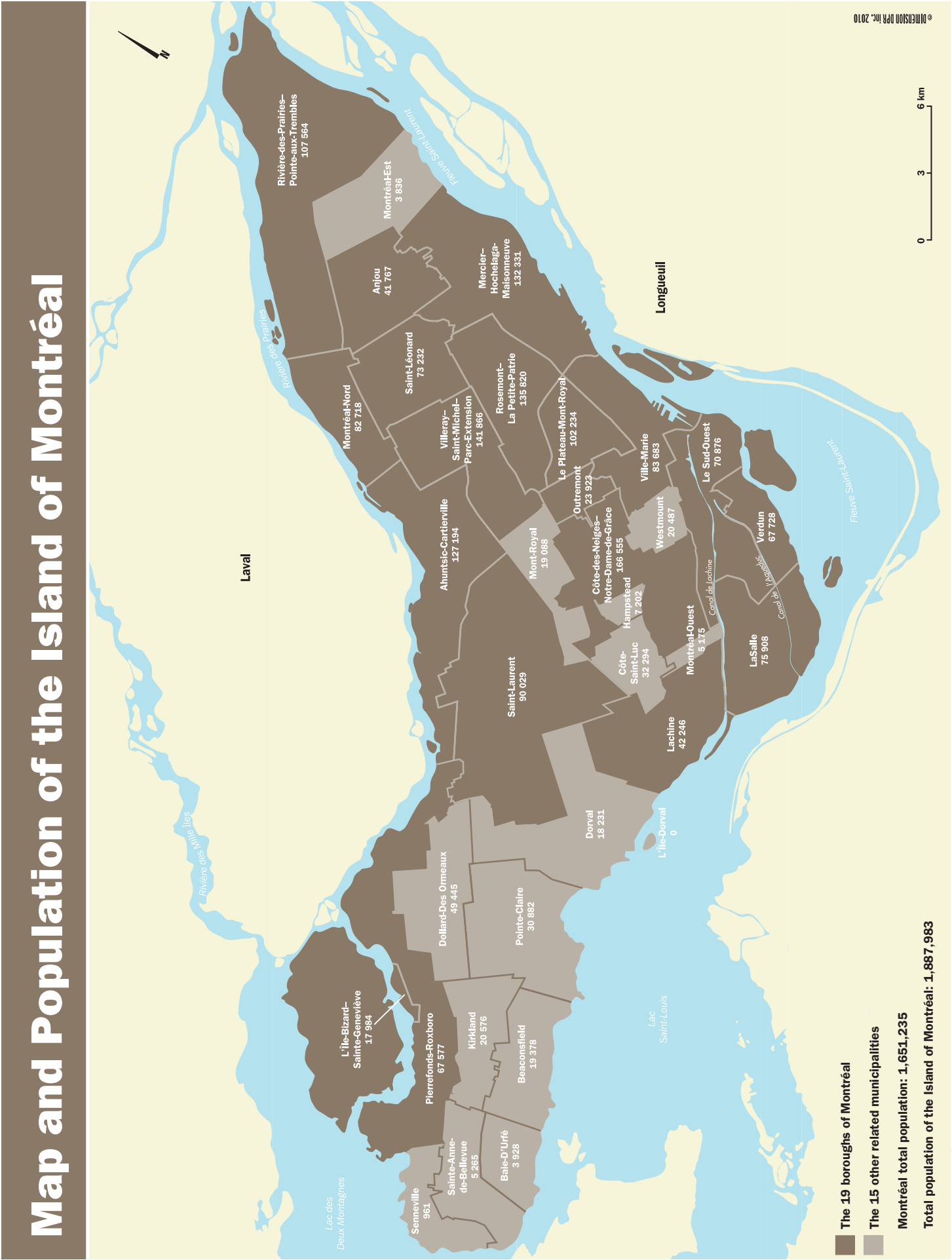
(in thousands of dollars)

	2011						2010	
	Local responsibilities			Urban agglomeration responsibilities			Total	
	Budget	Actual		Budget	Actual		Budget	Actual
<b>Revenues</b>								
Taxes	2,703,510	2,712,872		29,240	33,187		2,732,750	2,746,059
Payments in lieu of taxes	228,324	227,768			49		228,324	227,817
Quota shares				2,047,096	2,045,834	(1,668,196)		378,786
Transfers	204,577	220,159		159,293	146,949		378,900	367,108
Services rendered	266,056	258,028		56,659	66,316	(41,569)	363,870	279,491
Fee collection	115,964	172,825		1,762	1,726		281,146	174,551
Fines and penalties	102,102	94,033		83,861	87,346		117,726	186,453
Interest	54,822	71,992		27,796	37,472		82,618	109,464
Other revenues	44,530	45,297		23,907	30,032		68,437	75,329
	3,719,885	3,802,974		2,429,614	2,448,911	(1,709,765)	4,439,734	4,539,984
<b>Operating expenditures</b>								
General administration	453,006	491,851		359,853	376,571	(41,306)	771,553	824,996
Public security	16,885	6,239		936,111	956,913	(344)	952,996	962,808
Transportation	348,824	340,893		463,333	446,983	(242)	812,157	787,634
Environmental hygiene	189,574	180,620		238,512	210,465	(550)	428,086	390,535
Health and welfare	59,325	59,739		39,921	31,158		99,246	90,897
Urban planning and development	155,245	142,442		57,481	52,594	(263)	212,463	194,755
Recreation and culture	387,717	401,027		73,343	73,423	(10)	461,060	474,440
Financing expenses	260,283	242,471		150,552	145,811		410,835	388,282
	1,870,859	1,865,282		2,319,106	2,293,918	(41,569)	4,148,396	4,114,347
<b>Quota shares for financing</b>								
urban agglomeration activities	1,668,196	1,667,048				(1,668,196)		
<b>Operating surplus before financing and allocations</b>	180,830	270,644		110,508	154,993		291,338	425,637
<b>Financing</b>								
Repayment of long-term debt	(224,236)	(230,623)		(141,952)	(145,381)		(366,186)	(376,004)
<b>Allocations</b>								
Capital asset activities	(21,158)	(11,340)		(48,346)	(6,576)		(69,504)	(17,915)
Restricted operating surplus	62,699	80,760			415		62,699	81,175
Financial reserves and reserved funds	1,700	(40,277)		112	(56,825)		1,812	(97,102)
Amount to be funded in the future	165	(3,805)		79,678	67,244		79,843	63,439
	43,406	25,338		31,444	4,259		74,850	29,597
<b>Operating surplus for tax purposes for the year</b>		65,359			13,871			79,230
								192,065





# Map and Population of the Island of Montréal







# The Municipal Organization 2011

Pursuant to the *Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities* and the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and within the 15 reconstituted municipalities.

These common services are provided by Ville de Montréal employees. Since 2009, the Island of Montréal's 16 related municipalities will be required to fund all shared services that fall under the Urban Agglomeration Council's authority with quota shares. This system of funding urban agglomeration responsibilities results from legislative changes introduced by *An Act to amend various legislative provisions concerning Montréal (Bill 22)* that was adopted in June 2008.

This Act also makes changes to items falling under the Urban Agglomeration Council's authority. Arterial road system activities, for example, will now be under local authority, except for the definition of management and harmonization standards, general planning of the system and certain work that remains under the urban agglomeration's responsibility.

Furthermore, several items have been removed from the list of equipment, infrastructure and activities of collective interest set out in the Appendix to the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals. Appendix 3 itemizes the items that remain under the urban agglomeration's responsibility.

## **Montréal Urban Agglomeration Council**

The urban agglomeration is responsible for services provided to all island residents. These responsibilities are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the Island of Montréal.

The Urban Agglomeration Council is designed to have a simple and democratic structure. Montréal's mayor selects representatives to accompany him to the Urban Agglomeration Council. Their briefs are set by the City Council, which defines the positions to be taken by its elected officials at the Urban Agglomeration Council. The

same rule applies for the mayors of the reconstituted municipalities, who are bound by the guidelines of their respective city councils. A total of 31 elected officials sit on the Urban Agglomeration Council. They are:

- The mayor of Montréal, who is its chair.
- 15 elected officials from Montréal's City Council, who are appointed by the mayor.
- 14 mayors of the reconstituted municipalities (Île-Dorval and Dorval share one representative), one of whom is appointed as vice-chair.
- An additional representative from Dollard-Des Ormeaux (because of the size of its population), who is appointed by the mayor of this municipality.

The representation of each of the 16 related municipalities within this council is proportional to its demographic weight. Montréal has a weight of 87% and the 15 reconstituted municipalities have 13%.

## **City Council and Borough Councils**

Furthermore, in accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council continues to assume its responsibility toward local powers within the city, which will now have 19 boroughs. The borough councils are responsible for delivering their own local services.

The City Council now consists of the city mayor, plus 64 city councillors, 18 of whom are borough mayors. A borough council will have at least five members. These members include the borough mayor, its one or more city councillors and any borough councillors. There are now 19 boroughs, with 46 councillors, who also sit on the City Council and 38 borough councillors.

The cost of local service provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

# Summary of Powers Falling under the Urban Agglomeration Council or the City and Borough Councils

## Urban Agglomeration Powers

- Property assessment
- Police, fire and emergency preparedness services
- First responder services, except in Côte-Saint-Luc
- 9-1-1 emergency centre
- Implementation of fire coverage and public safety plans
- Municipal Court
- Social housing
- Assistance to the homeless
- Prevention and elimination of substance abuse and prostitution
- Waste disposal and reclamation, along with management of any hazardous substances
- Formulation and adoption of a solid waste management plan
- Municipal waterways
- Water supply and purification, except local mains
- Public transit
- Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways
- Economic and tourist promotion outside the limits of the related municipality
- Tourist information services
- Industrial parks
- Conseil des arts de Montréal (arts council)
- Equipment, infrastructure and activities of collective interest designated in the Order in *Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and modifications)
- Contribution for Financing Montréal's Nature Museums Deficit
- Any other responsibilities formerly under the jurisdiction of an urban community in the event that the city took the place of the latter.

## Local Powers

- Land use planning
- Building, public nuisance and public health regulations
- Housing
- Fire protection and emergency preparedness
- Waste collection and transportation
- Local and arterial road management
- Local water mains and sewer lines
- Local sports and recreational facilities
- Local libraries
- Local parks
- Local economic, community, cultural and social development
- Heritage
- The Commission des services électriques (electrical service commission)
- The Sociétés de développement commercial (SDCs)
- Industrial parks listed in by-law RCG 06 020
- Election organization

# 2011 Consolidated Financial Information





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## Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian accounting standards for the public sector, as described in Note 2 to the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

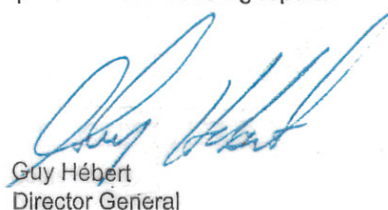
The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The General Auditor of Montréal and the independent auditor, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.



Robert Lamontagne, CA, MBA  
Senior Director and Treasurer



Guy Hébert  
Director General

May 28, 2012

## INDEPENDENT AUDITOR'S REPORT

To the Mayor,  
The Chairman and the Members of the Executive Committee,  
The Members of the Council of Ville de Montréal,  
The Members of the Montréal Agglomeration Council

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2011 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.

*Observations*

Without modifying my opinion, I draw attention to Note 13 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

Auditor General of Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, May 28, 2012

## Independent auditor's report

To the Mayor,  
the Chairman and the Members of the Executive Committee,  
the Members of the Council of Ville de Montréal,  
the Members of the Montréal Agglomeration Council

We have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 financial position of Ville de Montréal as at December 31, 2011 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.

### *Observations*

Without modifying our opinion, we draw attention to Note 13 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

*Samson Bélair / Deloitte & Touche s.e.n.c.r.l.<sup>1</sup>*

May 28, 2012

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<sup>1</sup> CPA auditor, CA permit No. A116207



**Consolidated Statement of Financial Position**

As at December 31, 2011

<i>(in thousands of dollars)</i>			
	<i>Note</i>	<b>2011</b>	<b>2010</b>
	.....		
<b>FINANCIAL ASSETS</b>			
Cash and temporary investments	3	<b>329,506</b>	345,934
Investments	3	<b>2,416,010</b>	2,093,876
Accounts receivable	4	<b>2,815,674</b>	2,851,313
Assets held for sale		<b>6,770</b>	5,200
Loans	5	<b>20,149</b>	24,196
Employee future benefits asset	6	<b>121,373</b>	409,150
		<b>5,709,482</b>	5,729,669
<b>LIABILITIES</b>			
Temporary loans	7	<b>179,057</b>	357,648
Accounts payable, provisions and accrued liabilities	8	<b>1,450,785</b>	1,475,631
Deferred revenues	9	<b>101,992</b>	108,374
Long-term debt	10	<b>8,785,294</b>	8,446,178
		<b>10,517,128</b>	10,387,831
<b>NET DEBT</b>		<b>(4,807,646)</b>	(4,658,162)
<b>NON-FINANCIAL ASSETS</b>			
Capital assets	11	<b>10,178,450</b>	9,872,602
Assets held for sale		<b>73,598</b>	71,982
Inventories		<b>66,619</b>	65,284
Other non-financial assets	12	<b>244,924</b>	179,901
		<b>10,563,591</b>	10,189,769
<b>ACCUMULATED SURPLUS</b>	13	<b>5,755,945</b>	5,531,607
Commitments and contingencies	18		

See the accompanying notes and tables.

**Consolidated Statement of Operations**

Fiscal Year Ended December 31, 2011

*(in thousands of dollars)*

	<i>Note</i> .....	<b>2011</b>		<b>2010</b>
		<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>				
Taxes		2,716,514	2,731,326	2,571,818
Payments in lieu of taxes		228,324	227,817	266,571
Quota shares		378,900	378,786	360,465
Transfers	14	1,230,594	880,419	966,667
Services rendered		959,511	981,564	823,808
Fee collection		117,726	174,551	164,174
Fines and penalties		185,963	181,379	186,453
Interest	15	82,618	121,815	98,122
Other revenues		153,667	163,333	199,605
		<b>6,053,817</b>	<b>5,840,990</b>	<b>5,637,683</b>
<b>Expenditures</b>				
General administration		775,610	830,123	280,033
Public security		979,473	986,721	944,275
Transportation		1,834,700	1,850,551	1,312,178
Environmental hygiene		570,488	551,408	526,656
Health and welfare		146,782	134,569	139,474
Urban planning and development		240,916	221,716	225,256
Recreation and culture		543,878	571,822	540,209
Financing expenses		524,924	469,742	466,849
		<b>5,616,771</b>	<b>5,616,652</b>	<b>4,434,930</b>
<b>Surplus for the year</b>		<b>437,046</b>	<b>224,338</b>	<b>1,202,753</b>
<b>Accumulated surplus at beginning of year</b>			<b>5,531,607</b>	<b>4,328,854</b>
<b>Accumulated surplus at end of year</b>			<b>5,755,945</b>	<b>5,531,607</b>

See the accompanying notes and tables.



**Consolidated Statement of the Change in Net Debt**

Fiscal Year Ended December 31, 2011

*(in thousands of dollars)*

	<i>Note</i> .....	<b>2011</b>		<b>2010</b>
		<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Surplus for the year</b>		<b>437,046</b>	<b>224,338</b>	1,202,753
Change in capital assets				
Acquisition		(1,707,605)	(967,396)	(1,059,455)
Proceeds from sale		4,760	21,218	19,034
Amortization		673,743	669,276	643,696
Gain on sale		(4,760)	(9,006)	(4,355)
		<b>(1,033,862)</b>	<b>(285,908)</b>	(401,080)
Change in assets held for sale		5,190	(1,616)	16,620
Change in inventories			(1,335)	(636)
Change in other non-financial assets			(64,515)	(105,572)
		<b>5,190</b>	<b>(67,466)</b>	(89,588)
Integration of organizations	16		(20,448)	(20,559)
<b>Change in net debt</b>		<b>(591,626)</b>	<b>(149,484)</b>	691,526
<b>Net debt at beginning of year</b>		<b>(4,658,162)</b>	<b>(4,658,162)</b>	(5,349,688)
<b>Net debt at end of year</b>		<b>(5,249,788)</b>	<b>(4,807,646)</b>	(4,658,162)

See the accompanying notes and tables.

**Consolidated Statement of Cash Flows**

Fiscal Year Ended December 31, 2011

		<i>(in thousands of dollars)</i>	
	<i>Note</i> .....	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>			
Surplus for the year		<b>224,338</b>	1,202,753
Items not affecting cash			
Amortization of capital assets		<b>669,276</b>	643,696
Gain on sale of capital assets		<b>(9,006)</b>	(4,355)
Other		<b>1,477</b>	10,290
		<b>886,085</b>	1,852,384
Change in non-cash items			
Accounts receivable		<b>(3,034)</b>	(267,343)
Loans		<b>4,047</b>	15,887
Employee future benefits asset		<b>289,777</b>	(625,334)
Accounts payables, provisions, and accrued liabilities		<b>(32,414)</b>	(51,841)
Deferred revenues		<b>20,678</b>	15,063
Inventories		<b>(1,335)</b>	(636)
Other non-financial assets		<b>(64,515)</b>	(105,572)
		<b>1,099,289</b>	832,608
<b>Capital investing activities</b>			
Acquisition of capital assets		<b>(967,396)</b>	(1,059,455)
Proceeds from sale of capital assets		<b>21,218</b>	19,034
		<b>(946,178)</b>	(1,040,421)
<b>Other investing activities</b>			
Acquisition of investments		<b>(585,494)</b>	(841,399)
Proceeds from sale of investments		<b>263,920</b>	343,199
Net change in assets held for sale		<b>(3,186)</b>	16,620
Integration of organizations	16	<b>11,920</b>	1,967
		<b>(312,840)</b>	(479,613)
<b>Financing activities</b>			
Proceeds from long-term debt		<b>991,011</b>	1,064,250
Repayment of long-term debt, net of refinancings		<b>(522,401)</b>	(561,394)
Bond redemption by refinancing		<b>(126,718)</b>	(99,564)
Net change in temporary loans		<b>(198,591)</b>	220,869
		<b>143,301</b>	624,161
<b>Decrease in cash and cash equivalents</b>		<b>(16,428)</b>	(63,265)
<b>Cash and cash equivalents at beginning of year</b>		<b>345,934</b>	409,199
<b>Cash and cash equivalents at end of year</b>		<b>329,506</b>	345,934

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

## Segment Disclosures

As at December 31, 2011

## SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION

(in thousands of dollars)

	2011			2010
	Municipal administration	Controlled organizations	Eliminations	Total
<b>FINANCIAL ASSETS</b>				
Cash and temporary investments	261,226	68,280		329,506
Investments	2,049,635	366,375		2,416,010
Accounts receivable	1,972,339	969,219	(125,884)	2,815,674
Assets held for sale	3,613	3,157		6,770
Loans	39,662	16,237	(35,750)	20,149
Employee future benefits asset (liability)	(129,996)	251,369		121,373
	<u>4,196,479</u>	<u>1,674,637</u>	<u>(161,634)</u>	<u>5,709,482</u>
				5,729,669
<b>LIABILITIES</b>				
Temporary loans		179,057		179,057
Accounts payable, provisions and accrued liabilities	1,213,577	290,507	(53,299)	1,450,785
Deferred revenues	126,204	1,788	(26,000)	101,992
Long-term debt	6,974,715	1,918,914	(108,335)	8,785,294
	<u>8,314,496</u>	<u>2,390,266</u>	<u>(187,634)</u>	<u>10,517,128</u>
				10,387,831
<b>NET DEBT</b>	<u>(4,118,017)</u>	<u>(715,629)</u>	<u>26,000</u>	<u>(4,807,646)</u>
				(4,658,162)
<b>NON-FINANCIAL ASSETS</b>				
Capital assets	7,565,388	2,613,062		10,178,450
Assets held for sale	48,506	25,092		73,598
Inventories	25,636	40,983		66,619
Other non-financial assets	46,800	224,124	(26,000)	244,924
	<u>7,686,330</u>	<u>2,903,261</u>	<u>(26,000)</u>	<u>10,563,591</u>
				10,189,769
<b>ACCUMULATED SURPLUS</b>				
Unrestricted operating surplus (deficit)	64,242	(45,608)		18,634
Restricted operating surplus	220,059	40,850		260,909
Financial reserves and reserved funds	214,472	5,842		220,314
Deficit from capital asset activities	(16,840)	(29,009)	(9,417)	(55,266)
Amount to be funded in the future	(983,349)	192,090	39,907	(751,352)
Net investment in capital assets	4,069,729	2,023,467	(30,490)	6,062,706
	<u>3,568,313</u>	<u>2,187,632</u>	<u></u>	<u>5,755,945</u>
				5,531,607

See the accompanying notes and tables.

**Segment Disclosures (continued)**

Fiscal Year Ended December 31, 2011

**SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION***(in thousands of dollars)*

	2011				2010
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Revenues</b>					
<b>Operating</b>					
Taxes	2,746,059		(14,733)	<b>2,731,326</b>	2,571,818
Payments in lieu of taxes	227,817			<b>227,817</b>	266,571
Quota shares	378,786	372,900	(372,900)	<b>378,786</b>	360,465
Transfers	367,108	123,583		<b>490,691</b>	456,135
Services rendered	279,491	720,159	(18,086)	<b>981,564</b>	823,808
Fee collection	174,551			<b>174,551</b>	164,174
Fines and penalties	181,379			<b>181,379</b>	186,453
Interest	109,464	15,803	(3,452)	<b>121,815</b>	98,122
Other revenues	74,359	154,020	(89,534)	<b>138,845</b>	180,562
	<u>4,539,014</u>	<u>1,386,465</u>	<u>(498,705)</u>	<u><b>5,426,774</b></u>	<u>5,108,108</u>
<b>Capital Assets</b>					
Quota shares		16,113	(16,113)		
Transfers	162,458	227,270		<b>389,728</b>	510,532
Other revenues					
Developers' contributions	18,131			<b>18,131</b>	14,541
Other	6,357			<b>6,357</b>	4,502
	<u>186,946</u>	<u>243,383</u>	<u>(16,113)</u>	<u><b>414,216</b></u>	<u>529,575</u>
	<u>4,725,960</u>	<u>1,629,848</u>	<u>(514,818)</u>	<u><b>5,840,990</b></u>	<u>5,637,683</u>
<b>Expenditures</b>					
General administration	835,822		(5,699)	<b>830,123</b>	280,033
Public security	986,721			<b>986,721</b>	944,275
Transportation	984,886	1,326,219	(460,554)	<b>1,850,551</b>	1,312,178
Environmental hygiene	551,811		(403)	<b>551,408</b>	526,656
Health and welfare	91,780	51,087	(8,298)	<b>134,569</b>	139,474
Urban planning and development	222,771	9,465	(10,520)	<b>221,716</b>	225,256
Recreation and culture	549,377	47,813	(25,368)	<b>571,822</b>	540,209
Financing expenses	388,282	85,436	(3,976)	<b>469,742</b>	466,849
	<u>4,611,450</u>	<u>1,520,020</u>	<u>(514,818)</u>	<u><b>5,616,652</b></u>	<u>4,434,930</u>
<b>Surplus for the year</b>	<u>114,510</u>	<u>109,828</u>		<u><b>224,338</b></u>	<u>1,202,753</u>

See the accompanying notes and tables.



**Segment Disclosures (continued)**

Fiscal Year Ended December 31, 2011

**SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY ORGANIZATION** *(in thousands of dollars)*

	<b>2011</b>					<b>2010</b>
	<b>Consolidated budget</b>	<b>Municipal administration</b>	<b>Controlled organizations</b>	<b>Eliminations</b>	<b>Total</b>	<b>Total</b>
<b>Surplus for the year</b>	437,046	114,510	109,828		<b>224,338</b>	1,202,753
Less: revenues from capital asset activities	(731,979)	(186,946)	(243,383)	16,113	<b>(414,216)</b>	(529,575)
<b>Operating surplus (deficit) before reconciliation for tax purposes for the year</b>	<b>(294,933)</b>	<b>(72,436)</b>	<b>(133,555)</b>	<b>16,113</b>	<b>(189,878)</b>	673,178
<b>Reconciliation for tax purposes</b>						
<b>Capital assets</b>						
Proceeds from sale	4,760	5,313	15,905		<b>21,218</b>	19,034
Amortization	673,743	497,103	172,173		<b>669,276</b>	643,696
Gain on sale	(4,760)	(4,343)	(4,663)		<b>(9,006)</b>	(4,355)
	<b>673,743</b>	<b>498,073</b>	<b>183,415</b>		<b>681,488</b>	658,375
<b>Financing</b>						
Repayment of long-term debt	(451,044)	(376,004)	(87,626)	(7,622)	<b>(471,252)</b>	(422,543)
<b>Allocations</b>						
Capital asset activities	(89,406)	(17,915)	(23,189)	(16,113)	<b>(57,217)</b>	(45,631)
Restricted operating surplus	62,699	81,175	2,996		<b>84,171</b>	96,527
Financial reserves and reserved funds	1,069	(97,102)	(1,326)		<b>(98,428)</b>	(67,751)
Amount to be funded in the future	114,526	63,439	82,779	7,622	<b>153,840</b>	(692,103)
	<b>88,888</b>	<b>29,597</b>	<b>61,260</b>	<b>(8,491)</b>	<b>82,366</b>	(708,958)
<b>Operating surplus for tax purposes for the year</b>	<b>16,654</b>	<b>79,230</b>	<b>23,494</b>		<b>102,724</b>	200,052

See the accompanying notes and tables.

**Segment Disclosures (continued)**

Fiscal Year Ended December 31, 2011

**SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION***(in thousands of dollars)*

	2011					2010
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Revenues from capital asset activities</b>	731,979	186,946	243,383	(16,113)	<b>414,216</b>	529,575
<b>Reconciliation for tax purposes</b>						
<b>Capital assets</b>						
Acquisition						
General administration	(68,719)	(40,199)			<b>(40,199)</b>	(26,742)
Public security	(23,923)	(26,326)			<b>(26,326)</b>	(32,839)
Transportation	(850,838)	(138,372)	(352,853)		<b>(491,225)</b>	(567,487)
Environmental hygiene	(418,674)	(203,329)			<b>(203,329)</b>	(215,776)
Health and welfare	(3,000)	(397)	(9,478)		<b>(9,875)</b>	(2,403)
Urban planning and development	(86,891)	(62,995)			<b>(62,995)</b>	(55,094)
Recreation and culture	(255,560)	(133,434)	(13)		<b>(133,447)</b>	(159,114)
	<u>(1,707,605)</u>	<u>(605,052)</u>	<u>(362,344)</u>		<u><b>(967,396)</b></u>	<u>(1,059,455)</u>
<b>Financing</b>						
Long-term financing of capital asset activities	781,114	490,585	61,569		<b>552,154</b>	702,912
<b>Allocations</b>						
Operating activities	89,406	17,915	23,189	16,113	<b>57,217</b>	45,631
Restricted operating surplus	30,318	13,445			<b>13,445</b>	10,692
Financial reserves and reserved funds	74,788	60,500	(1,128)		<b>59,372</b>	56,823
	<u>194,512</u>	<u>91,860</u>	<u>22,061</u>	<u>16,113</u>	<u><b>130,034</b></u>	<u>113,146</u>
<b>Surplus (deficit) from capital asset activities for tax purposes for the year</b>		<u>164,339</u>	<u>(35,331)</u>		<u><b>129,008</b></u>	<u>286,178</u>

See the accompanying notes and tables.

**Segment Disclosures (continued)**  
Fiscal Year Ended December 31, 2011

**SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION***(in thousands of dollars)*

	2011			2010
	Municipal administration	Controlled organizations	Eliminations	Total
<b>Remuneration</b>				
Elected officials	10,865	502		11,367
Employees	1,502,455	617,149	(4,274)	2,115,330
<b>Employer contributions</b>				
Elected officials	3,634	41		3,675
Employees	782,385	226,620		1,009,005
<b>Transportation and communication</b>	42,459	141,760		184,219
<b>Professionnal, technical and other services</b>				
Professional fees	37,433	22,702		60,135
Purchase of technical services	258,070	40,741	(13,099)	285,712
Other	2,753	15,208		17,961
<b>Leasing, maintenance and repair</b>				
Leasing	86,047	16,836	(18,464)	84,419
Maintenance and repair	62,587	27,120		89,707
<b>Durable goods</b>				
Construction	15,778	2,698		18,476
Other durable goods	750	23,154		23,904
<b>Non-durable goods</b>				
Delivery of public services	81,019	10,852	(9,195)	82,676
Other non-durable goods	135,885	52,722		188,607
<b>Financing expenses</b>				
Interest and other charges on long-term debt borne by:				
The municipality	284,731	36,222	(3,976)	316,977
Government of Québec and its enterprises	75,002	46,261		121,263
Other third parties	24,078	12		24,090
Other financing expenses	4,471	2,941		7,412
<b>Contributions to organizations</b>				
Municipal organizations				
Société de transport de Montréal	389,013		(389,013)	
Montréal Metropolitan Community	29,510			29,510
Reconstituted municipalities				508
Other	28,094		(26,316)	1,778
Government organizations				
Agence métropolitaine de transport	47,701			47,701
Other	10,289			10,289
Other organizations	113,445	10,728	(2,900)	121,273
<b>Amortization of capital assets</b>	497,103	172,173		669,276
<b>Loss on sale of capital assets</b>				
<b>Other items</b>				
Doubtful accounts or bad debts	19,593	1,285		20,878
Other	66,300	52,293	(47,581)	71,012
	<u>4,611,450</u>	<u>1,520,020</u>	<u>(514,818)</u>	<u>5,616,652</u>
				<u>4,434,930</u>

See the accompanying notes and tables.



## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

*An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the Charter of the City of Montréal. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

#### 2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

##### a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal (STM), the Société d'habitation et de développement de Montréal, the Montréal Technoparc, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, Anjou 80, the Société vélo en libre-service and the Société en commandite Stationnement de Montréal (Note 16). Transactions concluded between these organizations and reciprocal balances are eliminated.

##### b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries and benefit costs, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefit costs and obligations.

##### d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

##### e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

##### f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

##### g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

##### h) Deferred revenues

Premiums on the issuance of securities are amortized on a straight-line basis over the term of the related loans. Unrealized net foreign exchange gains are amortized using the method described in Note 2 r).

##### i) Other non-financial assets

The City records capital assets and other non-financial assets as assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.



## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

##### j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following estimated useful lives:

Infrastructures	10 to 40 years
Metro system	25 to 100 years
Buildings	20 to 40 years
Leasehold improvements	lease term
Vehicles	5 to 25 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of \$1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

During fiscal 2011, STM revised the useful lives of certain capital assets included in metro system, buildings and vehicles categories. This change in estimates increased the amortization expense for the year ended December 31, 2011 by \$12.2 million.

##### k) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

##### l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

##### m) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing are recorded as quota shares in the Statement of Operations.

##### n) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria and a reasonable estimate of the amounts can be made.

## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

##### o) Employee future benefits costs and obligations

###### - Defined benefit plans

Plan assets reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these assets or liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2011, this weighted average remaining service life is 13 years.

###### - Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

##### p) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

##### q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

##### r) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date, and foreign exchange gains or losses are immediately charged to the Statement of Operations if they are short-term cash items.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Operations.

The foreign exchange gain or loss resulting from a long-term monetary item denominated in a foreign currency but not subject to a hedge against currency exposure is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Operations using the straight-line method over the remaining term of the loans.

## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

##### s) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, Foreign Currency Translation, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Statement of Financial Position.

##### t) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus for tax purposes according to both local and agglomeration responsibilities.

##### u) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

## Notes and Tables to the Consolidated Financial Statements

### December 31, 2011

#### 2- SIGNIFICANT ACCOUNTING POLICIES (continued)

##### v) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions. This budget information has not been audited.

A comparison with the unconsolidated budget, adopted in December 2010 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

#### 3- CASH AND INVESTMENTS (in thousands of dollars)

	2011			2010
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		49,077	49,077	22,478
Temporary investments		280,429	280,429	323,456
		329,506	329,506	345,934
Investments				
Term deposits and other securities	259,198	620,090	879,288	608,390
Bonds and debentures	1,280,657	256,065	1,536,722	1,485,486
	1,539,855	876,155	2,416,010	2,093,876

Temporary investments with a term of 90 days or less effective on the acquisition date, essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 0.75% and 2.02% (1.09% and 1.69% in 2010).

As at December 31, 2011, the fair value of investments was \$2,550 million (\$2,159.4 million in 2010).

As at December 31, 2010, the Sinking Fund and other investments totalled \$1,411.7 million and \$682.1 million, respectively.

Bonds and debentures held by the City essentially comprise securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds and debentures totalling \$361.9 million (\$349.6 million in 2010).

## Notes and Tables to the Consolidated Financial Statements

December 31, 2011

**3- CASH AND INVESTMENTS (continued)**  
 (in thousands of dollars)

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2011 and December 31, 2010. The maturities of Sinking Fund investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
<b>December 31, 2011</b>				
2012	879,288	52,717	932,005	1.71%
2013		95,367	95,367	4.80%
2014		139,573	139,573	5.85%
2015		101,059	101,059	3.93%
2016		169,003	169,003	3.71%
1 to 5 years	879,288	557,719	1,437,007	2.71%
6 to 10 years		893,953	893,953	4.56%
11 to 15 years		78,856	78,856	4.50%
16 to 20 years		6,194	6,194	4.62%
	<u>879,288</u>	<u>1,536,722</u>	<u>2,416,010</u>	
<b>December 31, 2010</b>				
2011	583,525	216,173	799,698	2.09%
2012	24,865	39,618	64,483	4.12%
2013		111,148	111,148	4.92%
2014		116,087	116,087	6.55%
2015		111,107	111,107	4.22%
1 to 5 years	608,390	594,133	1,202,523	3.09%
6 to 10 years		779,529	779,529	3.81%
11 to 15 years		107,206	107,206	5.26%
16 to 20 years		4,618	4,618	5.59%
	<u>608,390</u>	<u>1,485,486</u>	<u>2,093,876</u>	

**4- ACCOUNTS RECEIVABLE**  
 (in thousands of dollars)

	2011	2010
Taxes	79,029	76,639
Government of Canada and its enterprises	147,301	154,915
Government of Québec and its enterprises	2,218,997	2,231,239
Municipal organizations	5,511	1,483
Services rendered and other	364,836	387,037
	<u>2,815,674</u>	<u>2,851,313</u>

An allowance for doubtful accounts of \$112.4 million (\$108.6 million in 2010) has been deducted from accounts receivable.

An organization has entered into a factoring agreement with a financial institution. The agreement allows the organization to have access to a maximum of \$40 million, supported by the factoring of short-term accounts receivable. Accounts receivable in the amount of \$12.4 million (\$34.7 million in 2010) were factored to the financial institution, at no time exceeding the authorized amount. The factoring cost of these accounts receivable is \$0.1 million (\$0.4 million in 2010) and is included in transportation expenses in the statement of operations.

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**4- ACCOUNTS RECEIVABLE (continued)**  
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,904,048	1,723,799

The fair value of the receivables to be used to repay long-term debt is \$2,130.3 million (\$1,876.4 million in 2010).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2011, are as follows:

	<u>Receipts</u>	<u>Weighted nominal interest rate</u>	<u>Refinancing</u>
<b>December 31, 2011</b>			
2012	135,426	5.24%	37,611
2013	109,762	5.27%	55,799
2014	178,103	5.13%	73,012
2015	75,940	5.40%	64,175
2016	93,049	5.37%	13,715
1 to 5 years	592,280	5.25%	244,312
6 to 10 years	755,008	5.04%	84,021
11 to 15 years	88,685	5.98%	8,506
16 to 20 years	1,940	4.33%	
	<u>1,437,913</u>	<u>5.19%</u>	<u>336,839</u>
<b>December 31, 2010</b>			
2011	98,063	5.42%	41,683
2012	119,465	5.43%	31,781
2013	94,582	5.50%	55,524
2014	161,562	5.25%	73,012
2015	60,921	5.79%	64,175
1 to 5 years	534,593	5.43%	266,175
6 to 10 years	633,981	5.35%	88,383
11 to 15 years	111,091	6.13%	2,161
16 to 20 years	7,289	5.39%	6,345
	<u>1,286,954</u>	<u>5.45%</u>	<u>363,064</u>

**5- LOANS**  
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Loans	15,986	19,437
Balances of sales prices	4,163	4,759
	<u>20,149</u>	<u>24,196</u>

The loans, secured by mortgages in an amount of \$12.1 million and maturing from 2012 to 2033, bear interest at rates varying between 0% and 9%. An amount of \$4 million has been deducted from the value of the loans to present them at discounted face value (\$4.2 million in 2010).

As at December 31, 2011, balances of sales prices, which mature from 2012 to 2017, bear interest at rates varying between 3.5% and 9% (maturing from 2011 to 2017 at interest rates varying between 3.5% and 9% in 2010).

As at December 31, 2011, the fair value of loans and the balances of sales prices was \$18.4 million (\$19.7 million in 2010).



## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**6- EMPLOYEE FUTURE BENEFITS ASSET**  
 (in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Defined benefit pension plans	355,610	638,357
Other plans	<u>(234,237)</u>	<u>(229,207)</u>
Asset employee future benefits	<u>121,373</u>	<u>409,150</u>

Expenses for the defined benefit plans totalled \$677.2 million (-\$285.8 million in 2010). Expenses for the defined contribution plans and the pension plans of elected officials totalled \$0.4 million (\$0.5 million in 2010) and \$2.2 million (\$2.2 million in 2010), respectively.

**Defined benefit plans**

## a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

## b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	<u>2011</u>		<u>2010</u>	
	<u>Pension plans</u>	<u>Other plans</u>	<u>Pension plans</u>	<u>Other plans</u>
Actuarial value of plan assets	12,448,874		12,466,188	
Accrued benefit obligation	<u>(15,045,303)</u>	<u>(259,525)</u>	<u>(14,057,032)</u>	<u>(229,578)</u>
Capitalization deficit	(2,596,429)	(259,525)	(1,590,844)	(229,578)
Unamortized actuarial losses	<u>3,042,688</u>	<u>25,288</u>	<u>2,303,642</u>	<u>371</u>
Accrued benefit asset (liability)	446,259	(234,237)	712,798	(229,207)
Valuation allowance	<u>(90,649)</u>		<u>(74,441)</u>	
Employee future benefits asset (liability)	<u>355,610</u>	<u>(234,237)</u>	<u>638,357</u>	<u>(229,207)</u>

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

## 6- EMPLOYEE FUTURE BENEFITS ASSET (continued)

(in thousands of dollars)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(12,642,295)	(259,225)	(11,687,805)	(229,578)
Actuarial value of plan assets	9,954,885		10,017,495	
Capitalization deficit	(2,687,410)	(259,225)	(1,670,310)	(229,578)

d) Actuarial value of plan assets

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	12,466,188		12,685,269	
Expected return on plan assets	778,280		837,381	
Loss during the year on the expected return on plan assets	(473,680)		(716,075)	
Actual return on plan assets	304,600		121,306	
Contributions for the year	492,703	10,591	442,356	8,931
Benefits paid	(814,617)	(10,591)	(782,743)	(8,931)
Balance at end	12,448,874		12,466,188	
Fair value of plan assets	12,283,068		12,453,998	

e) Accrued benefit obligation

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	14,057,032	229,578	12,971,064	222,161
Current service cost	364,480	7,953	324,586	7,222
Past service cost	98,944		127	2,435
Benefits paid	(814,617)	(10,591)	(782,743)	(8,931)
Interest cost on the obligation	876,251	10,858	849,746	9,903
Loss (gain) on the obligation during the year	463,213	21,727	694,252	(3,212)
Balance at end	15,045,303	259,525	14,057,032	229,578

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**6- EMPLOYEE FUTURE BENEFITS ASSET (continued)**  
(in thousands of dollars)

## f) Components of the expense for defined benefits plans

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	364,480	7,953	324,586	7,222
Past service cost	98,944		127	2,435
Employee contributions	(113,824)		(111,719)	
Unamortized actuarial gains recognized upon plan amendments	(488)			
Amortization of actuarial losses (gains)	198,335	(3,190)	95,901	(3,323)
Retirement benefits expense	547,447	4,763	308,895	6,334
Interest cost on the obligation	876,251	10,858	849,746	9,903
Expected return on plan assets	(778,280)		(837,381)	
Interest cost	97,971	10,858	12,365	9,903
Change in valuation allowance	16,208		(623,263)	
Total expense	661,626	15,621	(302,003)	16,237

## g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2008 to December 31, 2011 are as follows:

	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.00% to 6.20%	3.75% to 5.00%	6.00% to 6.50%	4.50% to 5.00%
Rate of expected return on plan assets	6.00% to 6.25%		6.00% to 6.50%	
Inflation rate	2.00% to 2.50%	2.00% to 2.50%	2.00% to 2.50%	2.00% to 2.50%
Salary escalation rate	2.96% to 3.00%	3.23% to 3.25%	3.00% to 3.75%	3.21% to 3.75%
Initial growth rate for healthcare costs		6.50% to 9.42%		6.50% to 9.69%
Ultimate growth rate for healthcare costs		4.30% to 7.00%		4.30% to 7.00%
Years when rate is expected to stabilize		2024 and 2025		2024 and 2025
Initial growth rate for dental care costs		4.00% to 5.00%		4.00% to 5.00%

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

### 6- EMPLOYEE FUTURE BENEFITS ASSET (continued)

(in thousands of dollars)

#### Defined contribution plans and plans of elected officials

##### a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

##### b) Employer contributions

	2011	2010
Defined contribution plans	427	466
Pension plans of elected officials	2,177	2,156

### 7- TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled \$1,714.8 million as at December 31, 2011 (\$1,660.3 million in 2010).

Of this amount, \$1,401.8 million (\$500 million under the limit set by the STM and \$901.8 million under the *Charter of the City of Montréal*, which authorizes up to 20% of the budgetary appropriations) may be borrowed, in whole or in part, through notes, bankers' acceptances or securities that may be negotiated with chartered banks or on the open market for short-term borrowings. As at December 31, 2011, the nominal value of commercial paper issuances was \$172.9 million (\$331.4 million in 2010) and the average rate on these temporary loans was 1.12% (0.75% in 2010).

The City also has demand lines of credit from different banks totalling \$313 million. As at December 31, 2011, the amount of the credit used was \$6.2 million (\$26.2 million in 2010) and bears interest at an average rate of 1.27% (1.25% in 2010).

### 8- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES

(in thousands of dollars)

	2011	2010
Trade accounts payable	388,362	469,439
Salaries, source deductions and employee benefits	576,106	517,694
Accrued interest payable on long-term debt	80,242	77,044
Provisions		
Solid waste landfill closure and post-closure costs	41,227	44,183
Contested valuations	50,709	72,919
Other	121,199	124,145
Deposits and holdbacks	88,009	79,984
Government of Québec and its enterprises	18,807	24,255
Government of Canada and its enterprises	10,202	12,749
Other	75,922	53,219
	<u>1,450,785</u>	<u>1,475,631</u>

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**9- DEFERRED REVENUES**

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Premium upon issuance of securities	57,511	58,478
Sale of a concession		28,000
Transfers	10,436	4,600
Pension plan	3,689	4,264
Unrealized net foreign exchange gains	3,904	2,965
Other	26,452	10,067
	<u>101,992</u>	<u>108,374</u>

**10- LONG-TERM DEBT**

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Bonds and notes		
In Canadian dollars (1)	8,500,667	8,138,966
In foreign currencies	86,533	84,805
Other long-term debt		
Obligations under capital leases	1,915	2,301
Term loans and mortgages (2)	160,393	173,783
Other	35,786	46,323
	<u>8,785,294</u>	<u>8,446,178</u>

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling \$1,308.9 million (\$1,313.4 million in 2010).

(2) Mortgages in the amount of \$49.1 million (\$55 million in 2010) are guaranteed by properties with a carrying value of \$49.8 million (\$55.7 million in 2010).

The repayment of the long-term debt is allocated as follows:

	<u>2011</u>	<u>2010</u>
Chargeable to taxpayers		
Of the central municipality	3,059,984	3,051,439
Of the agglomeration	1,962,238	1,958,930
Accumulated amounts in the Sinking Fund	1,539,855	1,411,743
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,904,048	1,723,799
Amount recoverable through user fees	319,169	300,267
	<u>8,785,294</u>	<u>8,446,178</u>

The City uses currency and interest-rate swap agreements for loans totalling \$322.7 million (\$533.9 million in 2010). The financial liabilities associated with these swaps, which amount to \$48.6 million (\$122.4 million in 2010), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2011, unhedged foreign exchange loans amounted to \$86.5 million (\$84.8 million in 2010) and the foreign exchange loss on these loans amounted to \$19.5 million (\$17.8 million in 2010). In this regard, an amount of \$24.8 million (\$23.3 million in 2010) was recorded in the Sinking Fund to cover the loss.

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

10- LONG-TERM DEBT (continued)  
(in thousands of dollars)

Estimated payments on long-term debt are as follows:

Maturity	2011					2010		
	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2011						674,973	142,643	532,330
2012	495,490	35,595	531,085	204,466	326,619	489,867	206,205	283,662
2013	655,973	50,651	706,624	303,154	403,470	665,126	303,548	361,578
2014	721,931		721,931	197,125	524,806	677,810	197,078	480,732
2015	556,778		556,778	253,109	303,669	502,055	241,114	260,941
2016	361,597		361,597	83,941	277,656			
1 to 5 years	2,791,769	86,246	2,878,015	1,041,795	1,836,220	3,009,831	1,090,588	1,919,243
6 to 10 years	3,432,754		3,432,754	846,344	2,586,410	3,011,112	696,526	2,314,586
11 to 15 years	1,218,004		1,218,004	30,505	1,187,499	817,459	22,333	795,126
16 to 20 years	202,504		202,504		202,504	555,764	8,172	547,592
2043	934,556		934,556		934,556	932,556		932,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		287	287		287	282		282
TOTAL	8,698,761	86,533	8,785,294	1,918,644	6,866,650	8,446,178	1,817,619	6,628,559

## Debt summary:

	2011			2010		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		8,698,761	99.02		8,361,373	99.00
U.S. dollars	35,000	35,595	0.41	35,000	34,811	0.41
Swiss Francs	46,700	50,651	0.57	46,700	49,712	0.59
Pounds Sterling	182	287	0.00	182	282	0.00
		8,785,294	100.00		8,446,178	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.



## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**10- LONG-TERM DEBT (continued)**  
(in thousands of dollars)

**Interest rates**

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

<b>Maturity</b>	<b>2011</b>			<b>2010</b>
	<b>Canadian dollars</b>	<b>Foreign currencies</b>	<b>Weighted average</b>	<b>Weighted average</b>
1 to 5 years	4.60%	3.62%	4.57%	5.04%
6 to 10 years	4.93%		4.93%	5.10%
11 to 15 years	5.36%		5.36%	5.64%
16 to 20 years	4.31%		4.31%	4.88%
2043	5.90%		5.90%	6.00%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	<u>4.99%</u>	<u>3.62%</u>	<u>4.97%</u>	<u>5.22%</u>

**Fair value**

The fair value of the debt was \$9,900 million (\$9,092.7 million in 2010). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of \$70.4 million (\$143.6 million in 2010).

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**11- CAPITAL ASSETS**  
(in thousands of dollars)

	Balance as at December 31, 2010	Increase (1)	Decrease	Balance as at December 31, 2011
<b>COST</b>				
Infrastructures	9,242,354	394,278	141,367	9,495,265
Metro system	2,487,682	166,373	320	2,653,735
Buildings	2,257,159	121,871	1,086	2,377,944
Leasehold improvements	74,765	3,692	936	77,521
Vehicles	1,273,650	161,705	121,401	1,313,954
Office furniture and equipment	368,378	52,241	54,016	366,603
Machinery, tools and equipment	255,867	59,361	15,946	299,282
Land	1,061,895	47,418	6,915	1,102,398
Other	11,071	1,377	2,891	9,557
	<u>17,032,821</u>	<u>1,008,316</u>	<u>344,878</u>	<u>17,696,259</u>
<b>ACCUMULATED AMORTIZATION</b>				
Infrastructures	3,927,349	376,101	141,315	4,162,135
Metro system	1,434,517	59,798	320	1,493,995
Buildings	1,057,306	65,498	4,674	1,118,130
Leasehold improvements	34,362	6,395	936	39,821
Vehicles	478,442	85,438	116,100	447,780
Office furniture and equipment	145,486	57,387	54,017	148,856
Machinery, tools and equipment	74,521	37,863	12,413	99,971
Other	8,236	1,776	2,891	7,121
	<u>7,160,219</u>	<u>690,256</u>	<u>332,666</u>	<u>7,517,809</u>
<b>NET CARRYING VALUE</b>	<u>9,872,602</u>			<u>10,178,450</u>

(1) The increase of the exercise includes capital assets (\$40.9 million) and accumulated amortization (\$21 million) of integrated organizations (Note 16).

Capital assets in the process of completion, for which the cost totalled \$460.8 million as at December 31, 2011 (\$383.8 million in 2010), are not amortized.

**12- OTHER NON-FINANCIAL ASSETS**  
(in thousands of dollars)

	2011	2010
Deposits to purchase metro cars and buses	185,757	124,338
Securities issuance costs	43,396	40,025
Other	15,771	15,538
	<u>244,924</u>	<u>179,901</u>

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

**13- ACCUMULATED SURPLUS**

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Unrestricted operating surplus	18,634	71,910
Restricted operating surplus	260,909	220,756
Financial reserves and reserved funds	220,314	181,258
Deficit of capital asset activities	(55,266)	(182,564)
Amount to be funded in the future	(751,352)	(597,513)
Net investment in capital assets	6,062,706	5,837,760
	<u>5,755,945</u>	<u>5,531,607</u>

In accordance with the model developed by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2 and 3 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration:

**Restricted operating surplus**

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the *Charter of the City of Montréal*, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils. It also includes the excess of operating activities in organizations under its control.

**Financial reserves and reserved funds**

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road network services; and the acquisition of capital assets.

**Deficit on capital asset activities**

The deficit on capital asset activities is equal to the surplus of costs of capital assets on the financing realized.

**Amount to be funded in the future**

The amount to be funded in the future is equal to the net balance of the expenditures recognized in the Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);
- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);
- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

**Net investment in capital assets**

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

**Notes and Tables to the Consolidated Financial Statements (continued)**

December 31, 2011

**14- TRANSFER REVENUES**

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Transfers - Operating activities		
Government of Québec	<u>490,691</u>	<u>456,135</u>
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	23,054	36,948
Transportation Security program		(217)
Gas tax program and the Québec government contribution (TECQ)	63,851	47,372
Other	4,071	4,032
Government of Québec		
Canada/Québec Infrastructure program	19,251	38,227
Québec/Municipalities Infrastructure program	127,063	105,697
Gas tax program and the Québec government contribution (TECQ)	121,885	242,678
Other	<u>30,553</u>	<u>35,795</u>
	<u>389,728</u>	<u>510,532</u>
	<u>880,419</u>	<u>966,667</u>

**15- INTEREST INCOME**

(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Sinking Fund	64,996	61,972
Cash and other interest	42,768	26,811
Tax arrears	<u>14,051</u>	<u>9,339</u>
	<u>121,815</u>	<u>98,122</u>

**Notes and Tables to the Consolidated Financial Statements (continued)**

December 31, 2011

**16- INTEGRATED ORGANIZATIONS**

(in thousands of dollars)

Since January 1, 2011, the City fully consolidates the accounts of Stationnement de Montréal LP and Trangesco LP (an organization controlled by the STM). The effects of this full consolidation on the City's financial position as at date, after the elimination of intra-group balances, are as follows:

**Financial assets**

Cash and temporary investments	11,920
Accounts receivable	(39,305)
	<u>(27,385)</u>

**Liabilities**

Temporary loans	20,000
Accounts payable, provisions and accrued liabilities	7,569
Deferred revenues	(28,000)
Long-term debt	(6,506)
	<u>(6,937)</u>

**Net debt**(20,448)**Non-financial assets**

Capital assets	19,940
Other non-financial assets	508
	<u>20,448</u>

**Accumulated surplus**                    **17- FINANCIAL INSTRUMENTS****Use of derivative instruments**

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

**Exchange and interest positions**

As at December 31, 2011, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

**Credit risk**

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

## 17- FINANCIAL INSTRUMENTS (continued)

## Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2011		2010	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,550,049	2,416,010	2,159,403	2,093,876
Receivables amount to be used to repay				
long-term debt	2,130,390	1,904,048	1,876,403	1,723,799
Loans	18,439	20,149	19,711	24,196
Long-term debt	9,900,007	8,785,294	9,092,730	8,446,178

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans and the long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2011, the fair value and carrying value of financial liabilities associated with swaps stood at \$70.4 million and \$48.6 million (\$143.6 million and \$122.4 million in 2010). They are included in the long-term debt amounts.

## 18- COMMITMENTS AND CONTINGENCIES

## a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of \$1,201.8 million. The estimated amounts payable over the coming years are as follows:

2012	2013	2014	2015	2016	2017-2069	Total
\$310.8M	\$266.6M	\$164.1M	\$127.9M	\$75.7M	\$256.7M	\$1,201.8M

Capital activity commitments total \$2,245.1 million of which \$1,638.9 million is to purchase metro cars.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2012. As at December 31, 2011, the balance of the commitment was \$63.6 million.

## b) Ownership of property used to extend the metro system to the City of Laval

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the STM at no cost under Section 47 of the *Act respecting the Agence métropolitaine de transport* ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2011.

The conclusion of this agreement may result in an increase in assets of approximately \$1,100 million (excluding taxes) \$550 million as capital assets and receivables to be used to repay long-term debt, and an increase in liabilities of \$550 million as long-term debt, with the balance being allocated to the accumulated surplus.



## Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2011

### 18- COMMITMENTS AND CONTINGENCIES (continued)

#### c) E-Commerce Place

Under a management agreement related to the E-Commerce Place real estate project, the City has endorsed a loan up to a maximum of \$67.5 million, the balance of which is \$5.6 million as at December 31, 2011.

#### d) F1 Grand Prix of Canada

As part of an agreement entered into to guarantee that Montreal is added to the F1 Grand Prix of Canada schedule for 2010 to 2014 inclusively, the City has pledged to make an annual contribution of \$15 million. In this respect, the annual contribution receivable by the City from its partners is \$14 million.

#### e) Claims and insurance

Claims pending against the City amount to \$637.7 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

#### f) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

### 19- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Montréal Metropolitan Community* (R.S.Q C-37.01), the CMM exercises jurisdiction over such areas as economic development; arts and culture promotion; social housing; facilities, infrastructures, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification. It also has jurisdiction under the *Act respecting land use planning and development* (chapter A-19.1) with respect to the metropolitan land use and development plan.

During the year, the City's financial contribution to the CMM totalled \$29.5 million (\$29.7 million in 2010). The CMM, for its part, paid the City \$41 million (\$43.2 million in 2010) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

### 20- PRIOR PERIOD

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

## Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

TABLE 1 – CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual (2)
<b>Revenues</b>		
Taxes	2,703,510	2,712,872
Payments in lieu of taxes	228,324	227,768
Quota shares		
Transfers	204,577	220,167
Services rendered	447,515	438,827
Fee collection	115,964	172,825
Fines and penalties	102,102	94,033
Interest	54,822	73,058
Other revenues	49,167	60,502
	<u>3,905,981</u>	<u>4,000,052</u>
<b>Operating expenditures</b>		
General administration	674,006	712,850
Public security	727,674	717,028
Transportation	824,035	812,047
Environmental hygiene	465,192	455,090
Health and welfare	111,651	107,543
Urban planning and development	184,852	173,193
Recreation and culture	443,283	456,545
Financing expenses	268,566	247,782
	<u>3,699,259</u>	<u>3,682,078</u>
<b>Surplus before financing and allocations</b>	<u>206,722</u>	<u>317,974</u>
<b>Financing</b>		
Repayment of long-term debt (3)	<u>(233,174)</u>	<u>(242,408)</u>
<b>Allocations</b>		
Capital asset activities	(21,458)	(29,455)
Restricted operating surplus	62,699	80,760
Financial reserves and reserved funds	1,700	(40,277)
Amount to be funded in the future	165	(3,805)
	<u>43,106</u>	<u>7,223</u>
<b>Operating surplus for tax purposes for the year</b>	<u>16,654</u>	<u>82,789</u>

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$31.8 million (\$47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

## Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)						
2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
29,240	33,187	(16,236)	(14,733)	2,716,514	2,731,326	2,571,818
	49			228,324	227,817	266,571
2,434,996	2,418,734	(2,056,096)	(2,039,948)	378,900	378,786	360,465
299,773	270,524			504,350	490,691	456,135
619,644	605,676	(107,648)	(62,939)	959,511	981,564	823,808
1,762	1,726			117,726	174,551	164,174
83,861	87,346			185,963	181,379	186,453
27,796	52,209		(3,452)	82,618	121,815	98,122
136,287	180,089	(37,522)	(89,534)	147,932	151,057	195,241
3,633,359	3,649,540	(2,217,502)	(2,210,606)	5,321,838	5,438,986	5,122,787
359,853	376,571	(268,945)	(270,124)	764,914	819,297	271,592
936,111	956,913	(710,789)	(711,133)	952,996	962,808	921,186
1,487,620	1,517,875	(852,956)	(840,100)	1,458,699	1,489,822	964,462
238,512	210,465	(276,080)	(275,423)	427,624	390,132	368,296
39,921	31,158	(13,817)	(13,030)	137,755	125,671	131,053
57,481	52,594	(31,605)	(32,494)	210,728	193,293	197,709
101,875	120,505	(79,770)	(80,439)	465,388	496,611	470,087
256,898	225,936	(540)	(3,976)	524,924	469,742	466,849
3,478,271	3,492,017	(2,234,502)	(2,226,719)	4,943,028	4,947,376	3,791,234
155,088	157,523	17,000	16,113	378,810	491,610	1,331,553
(217,870)	(221,222)		(7,622)	(451,044)	(471,252)	(422,543)
(50,948)	(11,649)	(17,000)	(16,113)	(89,406)	(57,217)	(45,631)
	3,411			62,699	84,171	96,527
(631)	(58,151)			1,069	(98,428)	(67,751)
114,361	150,023		7,622	114,526	153,840	(692,103)
62,782	83,634	(17,000)	(8,491)	88,888	82,366	(708,958)
	19,935			16,654	102,724	200,052

## Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

TABLE 2 – CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Quota shares		
Transfers	95,731	76,906
Other revenues		
Developers contributions	5,735	18,082
Other		4,532
	<u>101,466</u>	<u>99,520</u>
<b>Capital expenditures</b>		
General administration	42,508	23,913
Public security	308	461
Transportation	183,039	115,086
Environmental hygiene	145,386	79,601
Health and welfare	3,000	9,506
Urban planning and development	71,763	57,228
Recreation and culture	163,962	103,460
	<u>609,966</u>	<u>389,255</u>
<b>Deficit before financing and allocations</b>	<u>(508,500)</u>	<u>(289,735)</u>
<b>Financing</b>		
Long-term financing of capital asset activities	<u>449,452</u>	<u>334,440</u>
<b>Allocations</b>		
Operating activities	21,458	29,455
Restricted operating surplus	13,453	13,445
Financial reserves and reserved funds	<u>24,137</u>	<u>11,261</u>
	<u>59,048</u>	<u>54,161</u>
<b>Surplus of capital asset activities for tax purposes for the year</b>	<u><u></u></u>	<u><u>98,866</u></u>

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(2) The revenues include transfers of \$31.8 million (\$47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

## Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

Urban agglomeration responsibilities		2011				2010
		Eliminations (1)		Total		Total
		Budget	Actual	Budget	Actual	Actual
	16,113		(16,113)			
630,513	312,822			726,244	389,728	510,532
	49			5,735	18,131	14,541
17,000	1,825	(17,000)			6,357	4,502
647,513	330,809	(17,000)	(16,113)	731,979	414,216	529,575
26,211	16,286			68,719	40,199	26,742
23,615	25,865			23,923	26,326	32,839
667,799	376,139			850,838	491,225	567,487
273,288	123,728			418,674	203,329	215,776
	369			3,000	9,875	2,403
15,128	5,767			86,891	62,995	55,094
91,598	29,987			255,560	133,447	159,114
1,097,639	578,141			1,707,605	967,396	1,059,455
(450,126)	(247,332)	(17,000)	(16,113)	(975,626)	(553,180)	(529,880)
331,662	217,714			781,114	552,154	702,912
50,948	11,649	17,000	16,113	89,406	57,217	45,631
16,865				30,318	13,445	10,692
50,651	48,111			74,788	59,372	56,823
118,464	59,760	17,000	16,113	194,512	130,034	113,146
	30,142				129,008	286,178

## Notes and Tables to the Consolidated Financial Statements (continued)

As at December 31, 2011

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS

(in thousands of dollars)

	2011	2010
<b>Accumulated surplus</b>		
Unrestricted operating surplus	18,634	71,910
Restricted operating surplus	260,909	220,756
Financial reserves and reserved funds	220,314	181,258
Deficit of capital asset activities	(55,266)	(182,564)
Amount to be funded in the future	(751,352)	(597,513)
Net investment in capital assets	6,062,706	5,837,760
	<b>5,755,945</b>	<b>5,531,607</b>
<b>Breakdown of different items</b>		
<b>Restricted operating surplus</b>		
Allocation to the following year		62,700
Restricted surplus - Boroughs	137,042	92,515
Restricted surplus - Specific projects	65,892	24,577
Restricted surplus - Other purposes	57,975	40,964
	<b>260,909</b>	<b>220,756</b>
<b>Financial reserves and reserved funds</b>		
Financial reserves		
Water management	166,134	139,385
Management of road network	25,319	14,092
	<b>191,453</b>	<b>153,477</b>
Reserved funds		
Parks and playing fields	10,706	10,085
Working capital	7,297	5,537
Balance of closed-loan by-laws	3,509	4,951
Parking areas	4,220	3,871
Other	3,129	3,337
	<b>28,861</b>	<b>27,781</b>
	<b>220,314</b>	<b>181,258</b>
<b>Amount to be funded in the future</b>		
Transitional measures as of January 1, 2000		
Employee benefits	(21,723)	(27,800)
Employee future benefits		
Pension plan	664,123	822,447
Other plans	(199,140)	(199,140)
	<b>464,983</b>	<b>623,307</b>
Long-term financing of operating activities	(1,194,612)	(1,193,020)
	<b>(751,352)</b>	<b>(597,513)</b>
<b>Net investment in capital assets</b>		
Assets		
Investments - Sinking Fund	1,539,855	1,411,743
Receivables amounts to be used to repay long-term debt	1,718,738	1,529,092
Capital assets	10,178,450	9,872,602
	<b>13,437,043</b>	<b>12,813,437</b>
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	(3,202)	(3,587)
Long-term debt	(8,785,294)	(8,446,178)
Debt in refinancing		
Debt not affecting the net investment in capital assets	1,414,159	1,474,088
	<b>(7,374,337)</b>	<b>(6,975,677)</b>
	<b>6,062,706</b>	<b>5,837,760</b>

## Notes and Tables to the Consolidated Financial Statements (continued)

As at December 31, 2011

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT

(in thousands of dollars)

	2011	2010
<b>Long-term debt of the municipal administration</b>	<b>6,974,715</b>	6,864,766
<i>Add</i>		
Long-term unfunded operating expenditures	<b>26,282</b>	63,175
Long-term unfunded capital expenditures	<b>57,293</b>	188,956
Other		
Purchase of land	<b>12,497</b>	10,751
Government receivables	<b>29,332</b>	31,550
<i>Deduct</i>		
Receivables amount dedicated to repayment on long-term debt	<b>1,157,567</b>	1,126,373
Amount accumulated for repayment on long-term debt	<b>1,173,480</b>	1,150,689
Amount recoverable through user fees	<b>321,631</b>	300,267
<b>Net long-term debt of the municipal administration</b>	<b>4,447,441</b>	4,581,869
Share in the net total long-term debt of controlled organizations	<b>697,400</b>	684,990
<b>Consolidated net long-term debt</b>	<b>5,144,841</b>	5,266,859
Quota share in net total long-term debt - Montréal Métropolitain Community	<b>18,612</b>	16,896
<b>Consolidated net total long-term debt</b>	<b>5,163,453</b>	5,283,755





# **2011 Municipal Administration Financial Reporting**

Breakdown by  
Responsibility

Water Management

Breakdown of Mixed  
Expenditures



# **2011 Municipal Administration Financial Reporting**

## Breakdown by Responsability

# Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

## NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual (2)
<b>Revenues</b>		
Taxes	2,703,510	2,712,872
Payments in lieu of taxes	228,324	227,768
Quota shares		
Transfers	204,577	220,159
Services rendered	266,056	258,028
Fee collection	115,964	172,825
Fines and penalties	102,102	94,033
Interest	54,822	71,992
Other revenues	44,530	45,297
	<u>3,719,885</u>	<u>3,802,974</u>
<b>Operating expenditures</b>		
General administration	674,006	712,850
Public security	727,674	717,028
Transportation	728,128	720,197
Environmental hygiene	465,192	455,090
Health and welfare	64,057	64,471
Urban planning and development	176,937	164,135
Recreation and culture	442,778	456,088
Financing expenses	260,283	242,471
	<u>3,539,055</u>	<u>3,532,330</u>
<b>Surplus before financing and allocations</b>	<u>180,830</u>	<u>270,644</u>
<b>Financing</b>		
Repayment of long-term debt (3)	<u>(224,236)</u>	<u>(230,623)</u>
<b>Allocations</b>		
Capital asset activities	(21,158)	(11,340)
Restricted operating surplus	62,699	80,760
Financial reserves and reserved funds	1,700	(40,277)
Amount to be funded in the future	165	(3,805)
	<u>43,406</u>	<u>25,338</u>
<b>Operating surplus for tax purposes for the year</b>	<u><u>65,359</u></u>	<u><u>65,359</u></u>

(1) The eliminations refer to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$31.8 million (\$47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

## Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
29,240	33,187			2,732,750	2,746,059	2,583,721
	49			228,324	227,817	266,571
2,047,096	2,045,834	(1,668,196)	(1,667,048)	378,900	378,786	360,465
159,293	146,949			363,870	367,108	342,899
56,659	66,316	(41,569)	(44,853)	281,146	279,491	276,009
1,762	1,726			117,726	174,551	164,174
83,861	87,346			185,963	181,379	186,453
27,796	37,472			82,618	109,464	89,885
23,907	30,032			68,437	75,329	81,913
2,429,614	2,448,911	(1,709,765)	(1,711,901)	4,439,734	4,539,984	4,352,090
359,853	376,571	(262,306)	(264,425)	771,553	824,996	276,774
936,111	956,913	(710,789)	(711,133)	952,996	962,808	921,186
463,333	446,983	(379,304)	(379,546)	812,157	787,634	754,322
238,512	210,465	(275,618)	(275,020)	428,086	390,535	368,662
39,921	31,158	(4,732)	(4,732)	99,246	90,897	95,385
57,481	52,594	(21,955)	(21,974)	212,463	194,755	198,330
73,343	73,423	(55,061)	(55,071)	461,060	474,440	456,274
150,552	145,811			410,835	388,282	398,243
2,319,106	2,293,918	(1,709,765)	(1,711,901)	4,148,396	4,114,347	3,469,176
110,508	154,993			291,338	425,637	882,914
(141,952)	(145,381)			(366,188)	(376,004)	(358,325)
(48,346)	(6,575)			(69,504)	(17,915)	(27,206)
	415			62,699	81,175	96,527
112	(56,825)			1,812	(97,102)	(69,277)
79,678	67,244			79,843	63,439	(332,568)
31,444	4,259			74,850	29,597	(332,524)
	13,871				79,230	192,065



## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

## NON-CONSOLIDATED OPERATING SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Transfers	95,731	76,906
Other revenues		
Developers contributions	5,735	18,082
Other		4,532
	<u>101,466</u>	<u>99,520</u>
<b>Acquisition of capital assets</b>		
General administration	42,508	23,913
Public security	308	461
Transportation	182,739	106,449
Environmental hygiene	145,386	79,601
Health and welfare		28
Urban planning and development	71,763	57,228
Recreation and culture	163,962	103,460
	<u>606,666</u>	<u>371,140</u>
<b>Deficit before financing and allocations</b>	<u>(505,200)</u>	<u>(271,620)</u>
<b>Financing</b>		
Long-term financing of capital asset activities	<u>446,452</u>	<u>334,440</u>
<b>Allocations</b>		
Operating activities	21,158	11,340
Restricted operating surplus	13,453	13,445
Financial reserves and reserved funds	<u>24,137</u>	<u>11,261</u>
	<u>58,748</u>	<u>36,046</u>
<b>Surplus of capital asset activities for tax purposes for the year</b>	<u><u></u></u>	<u><u>98,866</u></u>

(1) The revenues include transfers of \$31.8 million (\$47.6 million in 2010) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011				2010
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
187,257	85,552	282,988	162,458	174,307
	49	5,735	18,131	14,541
	1,825		6,357	4,502
187,257	87,426	288,723	186,946	193,350
26,211	16,286	68,719	40,199	26,742
23,615	25,865	23,923	26,326	32,839
105,795	31,923	288,534	138,372	132,071
273,288	123,728	418,674	203,329	215,776
	369		397	1,677
15,128	5,767	86,891	62,995	55,094
91,598	29,974	255,560	133,434	158,957
535,635	233,912	1,142,301	605,052	623,156
(348,378)	(146,486)	(853,578)	(418,106)	(429,806)
239,009	156,145	685,461	490,585	599,033
48,346	6,575	69,504	17,915	27,206
16,865		30,318	13,445	10,692
44,158	49,239	68,295	60,500	56,823
109,369	55,814	168,117	91,860	94,721
	65,473		164,339	263,948

## Financial Information of the Municipal Administration (continued)

As at December 31, 2011

## NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2011		Total
	Local responsibilities	Urban agglomeration responsibilities	
<b>Accumulated surplus</b>			
Unrestricted operating surplus (deficit)	70,406	(6,164)	<b>64,242</b>
Restricted operating surplus	213,988	6,071	<b>220,059</b>
Financial reserves and reserved funds	88,831	125,641	<b>214,472</b>
Deficit of capital asset activities	(2,141)	(14,699)	<b>(16,840)</b>
Amount to be funded in the future	(1,468,517)	485,168	<b>(983,349)</b>
Net investment in capital assets			<b>4,069,729</b>
			<b>3,568,313</b>
<b>Breakdown of different items</b>			
<b>Allocated operating surplus</b>			
Allocation to the following year			
Restricted surplus - Boroughs	137,042		<b>137,042</b>
Restricted surplus - Special projects	59,883	6,009	<b>65,892</b>
Restricted surplus - Other purposes	17,063	62	<b>17,125</b>
	<u>213,988</u>	<u>6,071</u>	<u><b>220,059</b></u>
<b>Financial reserves and reserved funds</b>			
Financial reserves			
Water management	52,563	113,571	<b>166,134</b>
Management of road network	13,249	12,070	<b>25,319</b>
	<u>65,812</u>	<u>125,641</u>	<u><b>191,453</b></u>
Reserved funds			
Parks and playing fields	10,706		<b>10,706</b>
Working capital	2,706		<b>2,706</b>
Balance of closed-loan by-laws	2,258		<b>2,258</b>
Parking areas	4,220		<b>4,220</b>
Other	3,129		<b>3,129</b>
	<u>23,019</u>	<u></u>	<u><b>23,019</b></u>
	<u>88,831</u>	<u>125,641</u>	<u><b>214,472</b></u>
<b>Amount to be funded in the future</b>			
Transitional measures of January 1, 2000			
Employee benefits		(15,559)	<b>(15,559)</b>
Employee future benefits			
Pension plan	(221,955)	551,554	<b>329,599</b>
Other plans	(96,320)	(9,914)	<b>(106,234)</b>
	<u>(318,275)</u>	<u>541,640</u>	<u><b>223,365</b></u>
Long-term financing of operating activities	(1,150,242)	(40,913)	<b>(1,191,155)</b>
	<u>(1,468,517)</u>	<u>485,168</u>	<u><b>(983,349)</b></u>



## Financial Information of the Municipal Administration (continued)

As at December 31, 2011

(in thousands of dollars)

	2010		
	Local responsibilities	Urban agglomeration responsibilities	Total
<b>Accumulated surplus</b>			
Unrestricted operating surplus (deficit)	118,265	(20,036)	98,229
Restricted operating surplus	193,336	6,487	199,823
Financial reserves and reserved funds	59,815	118,055	177,870
Deficit of capital asset activities	(99,368)	(80,171)	(179,539)
Amount to be funded in the future	(1,464,584)	544,673	(919,911)
Net investment in capital assets			4,077,331
			<u>3,453,803</u>
<b>Breakdown of different items</b>			
<b>Allocated operating surplus</b>			
Allocation to the following year	62,700		62,700
Restricted surplus - Boroughs	92,515		92,515
Restricted surplus - Specific projects	20,809	3,768	24,577
Restricted surplus - Other purposes	17,312	2,719	20,031
	<u>193,336</u>	<u>6,487</u>	<u>199,823</u>
<b>Financial reserves and reserved funds</b>			
Financial reserves			
Water management	35,422	103,963	139,385
Management of road network		14,092	14,092
	<u>35,422</u>	<u>118,055</u>	<u>153,477</u>
Reserved funds			
Parks and playing fields	10,085		10,085
Working capital	2,272		2,272
Balance of closed-loan by-laws	4,828		4,828
Parking areas	3,871		3,871
Other	3,337		3,337
	<u>24,393</u>		<u>24,393</u>
	<u>59,815</u>	<u>118,055</u>	<u>177,870</u>
<b>Amount to be funded in the future</b>			
Transitional measures of January 1, 2000			
Employee benefits		(20,747)	(20,747)
Employee future benefits			
Pension plan	(204,857)	623,624	418,767
Other plans	(96,320)	(9,914)	(106,234)
	<u>(301,177)</u>	<u>613,710</u>	<u>312,533</u>
Long-term financing of operating activities	<u>(1,163,407)</u>	<u>(48,290)</u>	<u>(1,211,697)</u>
	<u>(1,464,584)</u>	<u>544,673</u>	<u>(919,911)</u>

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

## NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
<b>Remuneration</b>		
Elected officials	9,352	10,865
Employees	695,027	713,128
<b>Employer contributions</b>		
Elected officials	3,141	3,634
Employees	332,333	368,023
<b>Transportation and communication</b>	25,686	26,835
<b>Professionnal, technical and other services</b>		
Professional fees	24,551	24,273
Purchase of technical services	212,228	169,929
Other	2,181	1,983
<b>Leasing, maintenance and repairs</b>		
Leasing	89,028	83,657
Maintenance and repairs	50,122	43,639
<b>Durable goods</b>		
Construction		10,997
Other durable goods	16,301	750
<b>Non-durable goods</b>		
Delivery of public services	49,997	48,856
Other non-durable goods	100,505	96,276
<b>Financing expenses</b>		
Interest and other charges on long-term debt borne by:		
The municipality	189,257	190,956
Government of Québec and its enterprises	22,952	24,346
Other third parties	46,764	24,078
Other financing expenses	1,310	3,091
<b>Contributions to organizations</b>		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,668,196	1,667,048
Société de transport de Montréal		
Montréal Metropolitan Community	25,449	25,034
Reconstituted municipalities		
Other	6,294	5,906
Government organizations		
Agence métropolitaine de transport		
Other		49
Other organizations	63,619	79,362
<b>Other items</b>		
Doubtful account or bad debts	6,312	9,932
Other	(101,550)	(100,317)
	<u>3,539,055</u>	<u>3,532,330</u>

(1) Eliminations refer to interjurisdictional transactions.

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

Urban agglomeration responsibilities		2011				2010
		Eliminations (1)		Total		Total
		Budget	Actual	Budget	Actual	Actual
					9,352	8,737
794,351	789,327			1,489,378	1,502,455	1,447,680
					3,141	3,621
385,494	414,362			717,827	782,385	192,613
15,465	15,624			41,151	42,459	45,378
15,087	13,373		(213)	39,638	37,433	42,703
99,307	90,360	(721)	(2,219)	310,814	258,070	228,981
754	770			2,935	2,753	2,665
38,338	35,258	(32,830)	(32,868)	94,536	86,047	78,567
32,350	28,302	(7,989)	(9,354)	74,483	62,587	57,582
	4,781				15,778	19,688
5,714	199	(29)	(199)	21,986	750	6,010
36,620	32,163			86,617	81,019	79,386
44,602	39,609			145,107	135,885	126,348
97,270	93,775			286,527	284,731	289,064
53,178	50,656			76,130	75,002	78,086
				46,764	24,078	27,093
104	1,380			1,414	4,471	4,000
		(1,668,196)	(1,667,048)			
387,900	389,013			387,900	389,013	400,517
4,551	4,476			30,000	29,510	29,707
						508
41,156	22,188			47,450	28,094	25,731
47,701	47,701			47,701	47,701	42,611
9,933	10,240			9,933	10,289	9,932
34,079	34,083			97,698	113,445	102,982
1,868	9,661			8,180	19,593	24,046
173,284	166,617			71,734	66,300	94,940
2,319,106	2,293,918	(1,709,765)	(1,711,901)	4,148,396	4,114,347	3,469,176



# **2011**

# **Municipal**

# **Administration**

# **Financial Reporting**

## Water Management

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

## NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2011	
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Quota shares - Water service		
Quota shares - Drinking water supply		
Quota shares - Water financial reserve		
Quota shares - TECQ Investment Financing		
Wastewater fees and the sale of Charlemagne drinking water		
Contribution to improve water service	140,373	140,576
Flat rate and meter fees	23,110	23,805
Other revenues from local sources	1,746	1,223
Transfers		(6)
User fees - Drinking water - Reconstituted municipalities	177,685	177,685
	<u>342,914</u>	<u>343,283</u>
<b>Expenditures</b>		
Quota shares for financing urban agglomeration activities	211,418	210,269
Expenditures	80,305	72,617
	<u>291,723</u>	<u>282,886</u>
<b>Recovery plan</b>		<u>3,438</u>
<b>Surplus before financing and allocations</b>	<u>51,191</u>	<u>56,959</u>
<b>Financing</b>		
Repayment of long-term debt (1)	40,597	39,557
<b>Allocations</b>		
Capital asset financial activities		15
Restricted surplus		
Financial reserves - Water management	(10,594)	(17,417)
	<u>(10,594)</u>	<u>(17,402)</u>
<b>Operating surplus (deficit) for tax purposes for the year</b>	<u><u></u></u>	<u><u></u></u>

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.  
For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

Urban agglomeration responsibilities		2011				2010
		Eliminations (2)		Total		Total
		Budget	Actual	Budget	Actual	Actual
111,107	111,107	(90,143)	(90,143)	20,964	20,964	22,046
51,502	50,240	(47,202)	(46,053)	4,300	4,187	3,173
91,300	91,300	(74,073)	(74,073)	17,227	17,227	14,091
2,069	2,069			2,069	2,069	780
4,674	4,374			4,674	4,374	4,827
				140,373	140,576	113,114
				23,110	23,805	22,110
333	1,077			2,079	2,300	2,545
					(6)	(65)
				177,685	177,685	177,140
260,985	260,167	(211,418)	(210,269)	392,481	393,181	359,761
		(211,418)	(210,269)			
169,778	155,501			250,083	228,118	204,523
169,778	155,501	(211,418)	(210,269)	250,083	228,118	204,523
	6,127				9,565	
91,207	98,539			142,398	155,498	155,238
42,861	39,215			83,458	78,772	86,409
	(3,677)				(3,662)	(2,056)
	(2)				(2)	3,105
(48,346)	(55,645)			(58,940)	(73,062)	(69,878)
(48,346)	(59,324)			(58,940)	(76,726)	(68,829)

**Financial Information of the Municipal Administration (continued)**

Fiscal Year Ended December 31, 2011

**NON-CONSOLIDATED SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES  
RELATED TO WATER MANAGEMENT BY RESPONSIBILITY**

	2011	
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Transfers	65,134	59,255
Other revenues		
	<u>65,134</u>	<u>59,255</u>
<b>Acquisition of capital assets</b>		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	110,183	64,557
Buildings		64
	<u>110,183</u>	<u>64,621</u>
<b>Deficit before financing and allocations</b>	<u>(45,049)</u>	<u>(5,366)</u>
<b>Financing</b>		
Long-term financing of capital asset activities	<u>20,249</u>	<u>31,747</u>
<b>Allocations</b>		
Operating activities		(15)
Restricted operating surplus		
Financial reserves - Water management	<u>24,800</u>	<u>815</u>
	<u>24,800</u>	<u>800</u>
<b>Surplus of capital asset activities for tax purposes for the year</b>	<u></u>	<u>27,181</u>



## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)				
2011				2010
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
115,281	53,552	180,415	112,807	112,761
	37		37	129
115,281	53,589	180,415	112,844	112,890
179,887	86,011	179,887	86,011	100,364
51,352	19,158	51,352	19,158	19,529
17,100	6,516	127,283	71,073	55,869
1,799	1,178	1,799	1,242	818
250,138	112,863	360,321	177,484	176,580
(134,857)	(59,274)	(179,906)	(64,640)	(63,690)
42,353	18,122	62,602	49,869	33,239
	3,677		3,662	2,056
				480
92,504	47,371	117,304	48,186	51,255
92,504	51,048	117,304	51,848	53,791
	9,896		37,077	23,340



# **2011 Municipal Administration Financial Reporting**

## Breakdown of Mixed Expenditures

## INDEPENDENT AUDITOR'S REPORT

To the Mayor,  
The Chairman and the Members of the Executive Committee,  
The Members of the Council of Ville de Montréal,  
The Members of the Montréal Agglomeration Council

I have audited the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2011. This breakdown has been determined by management based on by-laws RCG06-054 and RCG06-054-1 adopted by the Agglomeration Council respectively on December 13, 2006 and December 18, 2008 (hereinafter "the regulatory requirements").

### *Management's Responsibility for the Breakdown of Mixed Expenditures*

Management is responsible for the preparation of the Table of Breakdown of Mixed Expenditures in accordance with the regulatory requirements and for such internal control as management determines is necessary to enable the preparation of a table of breakdown of mixed expenditures that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the Table of Breakdown of Mixed Expenditures based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table of Breakdown of Mixed Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the preparation of the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures 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 the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the table.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2011 was prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, May 28, 2012

**Financial Information of the Municipal Administration (continued)**

Fiscal Year Ended December 31, 2011

**TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY**

	<b>2011</b>	
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual</b>
<b>Expenditures</b>		
General administration	122,718	<b>109,833</b>
Public security		
Transportation	9,831	<b>6,649</b>
Environmental hygiene	5,820	<b>4,595</b>
Health and welfare	1,918	<b>2,013</b>
Urban planning and development	33,591	<b>30,841</b>
Recreation and culture	7,210	<b>7,082</b>
<b>Total expenditures</b>	<b>181,088</b>	<b>161,013</b>

## Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2011

(in thousands of dollars)

2011						2010
Urban agglomeration responsibilities		Eliminations		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
100,675	101,095	(3,232)	(3,248)	220,161	207,680	197,963
						23
1,345	1,327		(13)	11,176	7,963	6,978
7,601	6,512			13,421	11,107	6,884
2,173	2,126			4,091	4,139	4,579
10,470	9,898		(1)	44,061	40,738	46,683
6,014	5,778			13,224	12,860	10,720
128,278	126,736	(3,232)	(3,262)	306,134	284,487	273,830

## Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes

December 31, 2011

### 1- MIXED EXPENDITURES

*An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred by the Ville de Montréal in carrying out by the municipal administration an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

The term “municipal administration” refers to Ville de Montréal excluding the organizations under its control.

### 2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-laws RCG06-054 and RCG 06-054-1, adopted by the Urban Agglomeration Council on December 13, 2006 and December 18, 2008, respectively.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingency expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2011 was 6.37%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2011 Budget.

### 3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Table for the municipal administration is prepared in accordance with Canadian public sector accounting standards using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2011.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.



**Published by the  
Ville de Montréal  
Service des finances  
Direction de la comptabilité  
et du contrôle financier**

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Montréal (Québec)  
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Legal deposit 2nd quarter 2012  
Bibliothèque nationale du Québec  
ISBN: 978-2-7647-1080-7

Graphic and Printing  
Ville de Montréal  
Studio de design graphique  
000688-1767

Printed in Canada

Printed on recycled paper





