



Annual Financial Report 2013
Fiscal Year Ended December 31

Montréal 

**Prepared by the
Service des finances,
Direction des informations
financières et des
contrôles internes**

Annual Financial Report 2013

Fiscal Year Ended December 31

DEPOSITED AT THE CITY CLERK'S OFFICE OF THE
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Table of Contents 2013

	Page
INTRODUCTION	
Message from the Mayor	III
Message from the Treasurer.....	IV
Map of the Montréal Region.....	VII
Municipal Organization.....	IX
 CONSOLIDATED FINANCIAL INFORMATION	
The Municipal Administration's Responsibility for Financial Reporting.....	1
Independent Auditor's Report of the Auditor General of Montréal.....	2
Independent 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 (Deficit) for Tax Purposes by Responsibility.....	36
Table 2 – Consolidated Surplus (Deficit) of Capital Asset Activities for Tax Purposes by Responsibility.....	38
Table 3 – Consolidated Accumulated Surplus	40
Table 4 – Consolidated Net Total Long-Term Debt.....	41
 FINANCIAL INFORMATION OF THE MUNICIPAL ADMINISTRATION	
Breakdown by Responsibility	
Non-Consolidated Operating Surplus (Deficit) for Tax Purposes by Responsibility.....	44
Non-Consolidated Surplus (Deficit) of Capital Asset Activities for Tax Purposes by Responsibility.....	46
Non-Consolidated Accumulated Surplus by Responsibility.....	48
Non-Consolidated By-item Amounts for Tax Purposes by Responsibility.....	50
Water Management	
Non-Consolidated Operating Surplus for Tax Purposes Related to Water Management by Responsibility.....	54
Non-Consolidated Surplus (Deficit) of Capital Asset Activities for Tax Purposes Related to Water Management by Responsibility.....	56
Breakdown of Mixed Expenditures	
Independent Auditor's Report of the Auditor General of Montréal on the Breakdown of Mixed Expenditures.....	60
Table of Breakdown of Mixed Expenditures by Responsibility.....	62
Supplementary Notes.....	64



2013

Introduction

Message from the Mayor

Dear Montrealers,

The results for the 2013 fiscal year show an overall surplus of \$17.6 million (excluding the organizations controlled by the city). Clearly, this surplus is more modest than in previous years (\$109.1 million in 2012) and reflects a fragile financial balance of our metropolis.

Concrete measures were taken the day following the election to control city finances responsibly. They involved tighter management of expenditures included in the 2014 budget and taking over, in 2013, certain elements, such as an additional \$16-million contribution to the *Société de transport de Montréal (STM)*, as well as absorbing \$27.5 million in financial losses resulting from BIXI. Reporting BIXI's financial impact in 2013 was a sensible decision by the city. However, any gains resulting from BIXI's international component will be shown as income in the year of sale. Our efforts have already generated positive results. For example, in its 2013 results, the city did not use relief measures of approximately \$80 million for pension plan charges.

An administrative reform was undertaken in early 2014 to allow the city flexibility. It includes the creation of an organizational performance department, which will be responsible for examining city expenditures and will impose tighter management of the labour plan.

The city administration will continue its efforts and introduce strategies to support the administrative reform and strengthen Montréal's leadership in the field of economic development.

I would like to conclude by thanking all city employees for helping us to achieve our goals. Their ongoing efforts and resilience to change demonstrate professionalism, versatility and dedication to the municipal organization.



Denis Coderre
Mayor of Montréal

Message from the Treasurer

Ladies,
Gentlemen,

We are pleased to table the Ville de Montréal 2013 Annual Financial Report for the fiscal year ended December 31, 2013. The first section of this report contains a consolidated version of the city's financial data, namely the entity composed of the Ville de Montréal and the organizations under its responsibility. The second section contains an analysis of the city administration's financial information (excluding the organizations it controls).

At the beginning of the fiscal year and periodic reporting time, an analysis of the results indicated a possible tenuous financial balance for the city. To address the situation, a series of measures to control expenditures were implemented. These were successful and led to an overall surplus of \$17.6 million (excluding the organizations that make up the city's reporting entity) in 2013.

The report shows a surplus of \$36.7 million in revenue, including approximately \$22 million regarding items influenced by the Montréal economy, namely \$6.8 million in parking revenue, \$9.3 million from occupancy permits for public property and \$5.6 million in property transfer fees.

Rigorous management of expenditures was maintained throughout the year to balance the 2013 budget. This enabled us to find an additional \$125.0 million in the operating budget. This effort is the result of a reduced use of the amounts allocated to contingencies (\$46.3 million) and tight management of goods and services that helped us find approximately \$80 million in the business units. Noteworthy are savings of \$31.8 million in costs related to the debt following the readjustment of the borrowing program resulting from a reduction in completion of work included in the Three-Year Capital Works Program. However, these savings

were counteracted by excess expenditures, mainly including additional costs of \$32.8 million for snow removal and \$16.0 million for the contribution to the Société de transport de Montréal (STM).

A combination of additional revenues and amounts released from charges enabled the city to forego employing relief measures, representing approximately \$80 million. This enabled us to avoid deferring taxation to the future.

The two independent auditors' reports show a difference of opinion regarding the treatment of the new accounting standard PS 3410 *Government Transfers* that was implemented in 2013. This difference basically concerns the notion of authorization of transfers by the transferor, which is also subject to interpretation within the accounting profession. Clarification will be provided in 2014 by the Public Sector Accounting Board. The city will follow standardization developments closely.

I would like to conclude by thanking all city employees who have helped to achieve these results.



Jacques Marleau
Deputy Treasurer

Introduction - Financial Information of the Municipal Administration

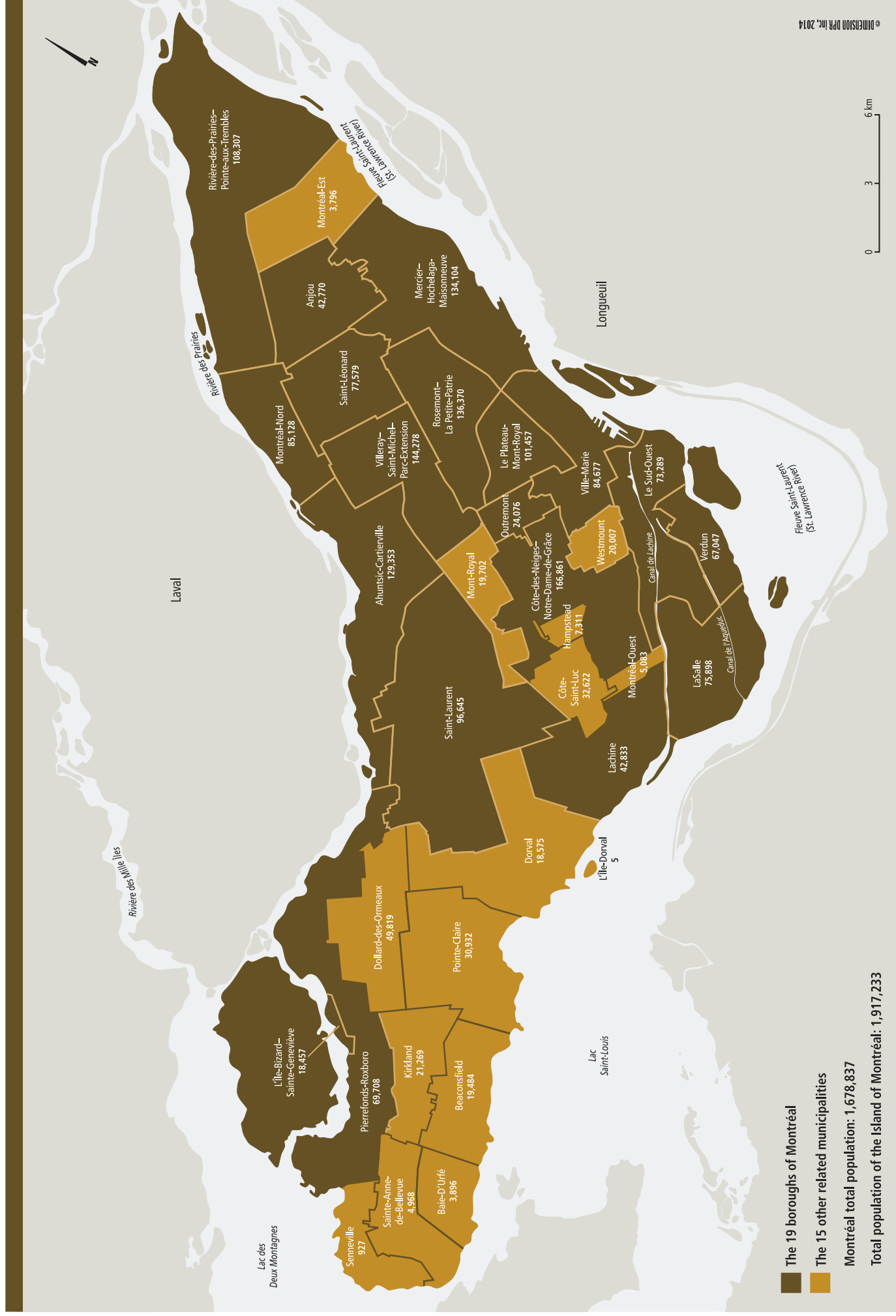
Fiscal Year Ended December 31, 2013

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

(in thousands of dollars)

	2013						2012	
	Local responsibilities			Urban agglomeration responsibilities			Eliminations	
	Budget	Actual		Budget	Actual		Budget	Actual
Revenues							Total	Total
Taxes	2 916 433	2 928 839		42 740	44 325		2 959 173	2 973 164
Payments in lieu of taxes	242 990	238 412					242 990	238 412
Quota shares				2 147 598	2 147 738	(1 750 965)		396 633
Transfers	199 531	204 598		149 192	153 730			396 296
Services rendered	263 613	280 292		67 343	56 790	(20 732)		358 328
Fee collection	146 721	155 731		1 969	1 878			309 737
Fines and penalties	105 973	106 453		91 223	89 312			157 609
Interest	72 867	80 817		34 936	37 985			195 765
Other revenues	46 810	48 874		22 613	20 561			181 576
	3 994 938	4 044 016		2 557 614	2 552 319	(1 771 697)	4 780 855	4 817 548
Operating expenditures								
General administration	592 840	530 141		419 354	391 829	(20 439)	991 755	896 138
Public security	18 142	18 310		1 018 010	1 020 752	(335)	1 036 152	1 038 727
Transportation	368 972	397 059		470 198	472 996	(349)	839 170	869 706
Environmental hygiene	199 945	196 790		235 754	222 397	(508)	435 699	418 679
Health and welfare	59 070	57 377		36 207	32 940		95 277	90 317
Urban planning and development	149 657	140 760		75 982	50 218	(293)	225 346	190 682
Recreation and culture	399 649	421 960		81 018	72 628	(25)	480 867	494 563
Financing expenses	252 276	236 568		133 988	129 932		386 264	366 500
	2 040 551	1 998 965		2 470 511	2 393 692	(20 732)	4 490 330	4 365 312
Quota shares for financing								
urban agglomeration activities	1 750 965	1 751 442				(1 750 965)		(1 751 442)
Operating surplus before financing and allocations	203 422	293 609		87 103	158 627		290 525	452 236
Financing								
Repayment of long-term debt	(231 792)	(221 347)		(156 725)	(155 169)		(388 517)	(376 516)
Allocations								
Capital asset activities	(20 689)	(25 705)		(14 094)	(23 517)		(34 783)	(49 222)
Restricted operating surplus	75 561	64 757			38		75 561	64 795
Financial reserves and reserved funds	(2 402)	(31 855)		(25 172)	(44 315)		(27 574)	(76 170)
Use of the sinking fund		19 362			633			19 995
Recognized expenditures to be taxed or funded	(24 100)	(72 846)		108 888	55 286		84 788	(17 560)
	28 370	(46 287)		69 622	(11 875)		97 992	(58 162)
Operating surplus (deficit) for tax purposes for the year		25 975			(8 417)			17 558
								109 126

The Island of Montréal and its population



The Municipal Organization 2013

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*, and amendments, 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 have been 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, are now 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.

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 (L'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 assumes its responsibility toward local powers within the city, which now has 19 boroughs. The borough councils are responsible for delivering local services.

The City Council consists of the mayor of Montréal, also ex-officio mayor of the Ville-Marie borough, plus 64 city councillors, 18 of whom are borough mayors. A borough council has at least five members. These members include the borough mayor, one or more city councillors and any borough councillors. There are 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 public safety
- 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 fight against substance abuse and prostitution
- Waste disposal, recycling and management of hazardous material
- Development 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 a 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 amendments)
- Contribution to financing the debt of the Nature Museums
- Any other responsibility once within the jurisdiction of the former urban community, now under the authority of the city

Local Powers

- Urban planning
- Building, public nuisance and public health regulations
- Housing
- Fire protection and public safety
- Solid 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
- Commission des services électriques (electrical services commission)
- Sociétés de développement commercial (merchants' associations)
- Industrial parks listed in by-law RCG 06 020
- Organization of elections



2013

**Consolidated
Financial
Information**

Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian public sector accounting standards, 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 Auditor General of Ville de Montréal and the independent auditor, Deloitte S.E.N.C.R.L./s.r.l., have audited the consolidated financial statements and presented the following reports.



Jacques Marleau
Deputy Treasurer of Ville de Montréal



Alain Marcoux
Acting City Manager

March 24, 2014

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, 2013, 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, 2013 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 14 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 the Ville de Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, March 24, 2014

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, and
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, 2013, 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 qualified audit opinion.

Basis for Qualified Opinion

As at December 31, 2013, Ville de Montréal recognized, in its consolidated statement of financial position, grants receivable from the Government of Québec regarding government transfers related to assistance programs involving the construction of capital assets and other expenses financed or to be financed by loans and for which the work has been completed. This situation is a departure from the new accounting standard on government transfers set out in Canadian public sector accounting standards, which provides for the recognition of grants when they have been authorized by the government upon the exercise of its enabling authority and when the recipients have met the eligibility criteria. The impacts of the current accounting treatment on the consolidated financial statements as at December 31, 2013 and 2012 are as follows:

	Overstated (understated)	
	In thousands of dollars	
	<u>2013</u>	<u>2012</u>
<i>Consolidated statement of financial position</i>		
Accounts receivable - Government of Québec and its enterprises	1,828,154	1,823,375
Net debt and accumulated surplus	1,828,154	1,823,375
<i>Consolidated statement of operations</i>		
Revenues - Transfers	4,779	(14,637)
Surplus for the year	4,779	(14,637)
Prior period adjustment		1,838,012
Accumulated surplus at end of year	1,828,154	1,823,375

Management has not detailed the accumulated surplus amount to the extent provided in the consolidated financial statements.

In addition, Ville de Montréal did not comply with the provisions of section 1.1 of the *Act respecting subsidies for the payment in capital and interest of loans of public or municipal bodies and certain other transfers* (CQLR, chapter S-37.01), which took effect June 14, 2013 and states that only the part of the subsidy that is payable in Ville de Montréal's fiscal year and authorized by Parliament for the government's fiscal year must be recognized.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2013, and the results of its operations, change 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 14 to the consolidated financial statements, which states that Ville de Montréal 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.

*Deloitte LLP*¹

March 24, 2014

¹ CPA auditor, CA, public accountancy permit No. A116207

Consolidated Statement of Financial Position

As at December 31, 2013

		<i>(in thousands of dollars)</i>	
	<i>Note</i>	2013	2012
FINANCIAL ASSETS			
Cash and temporary investments	4	312,348	292,565
Investments	4	2,753,729	2,657,785
Accounts receivable	5	2,860,075	2,852,730
Assets held for sale		5,698	8,684
Loans	6	43,899	26,006
Employee future benefits asset	7		48,525
		5,975,749	5,886,295
LIABILITIES			
Temporary loans	8	248,355	173,995
Accounts payable, provisions and accrued liabilities	9	1,513,871	1,443,038
Deferred revenues	10	187,402	215,575
Long-term debt	11	9,248,343	9,008,880
Employee future benefits liability	7	74,719	
		11,272,690	10,841,488
NET DEBT		(5,296,941)	(4,955,193)
NON-FINANCIAL ASSETS			
Capital assets	12	10,897,945	10,545,890
Assets held for sale		69,227	73,048
Inventories		71,997	69,831
Other non-financial assets	13	404,870	326,988
		11,444,039	11,015,757
ACCUMULATED SURPLUS	14	6,147,098	6,060,564
Commitments and contingencies	18		

See the accompanying notes and tables.

Consolidated Statement of Operations

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

	<i>Note</i>	2013		2012
		Budget	Actual	Actual
Revenues				
Taxes		2,944,905	2,957,169	2,855,776
Payments in lieu of taxes		242,990	238,412	241,638
Quota shares		396,633	396,296	393,230
Transfers	15	1,418,327	851,506	865,341
Services rendered		1,070,041	1,022,667	968,137
Fee collection		148,690	157,609	208,215
Fines and penalties		197,196	195,765	181,576
Interest	16	112,813	126,552	131,233
Other revenues		218,054	239,078	250,332
		6,749,649	6,185,054	6,095,478
Expenditures				
General administration		999,242	908,813	834,766
Public security		1,060,689	1,071,898	1,054,251
Transportation		2,011,184	2,095,164	1,924,724
Environmental hygiene		605,216	600,894	574,447
Health and welfare		149,401	146,647	133,200
Urban planning and development		252,382	218,301	231,360
Recreation and culture		583,775	601,651	587,557
Financing expenses		525,098	455,152	450,554
		6,186,987	6,098,520	5,790,859
Surplus for the year		562,662	86,534	304,619
Accumulated surplus at beginning of year			6,060,564	5,755,945
Accumulated surplus at end of year			6,147,098	6,060,564

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

	2013		2012
	Budget	Actual	Actual
Surplus for the year	562,662	86,534	304,619
Change in capital assets			
Acquisition	(2,171,046)	(1,128,038)	(1,073,995)
Proceeds from sale	3,210	12,381	6,626
Amortization	731,727	768,754	703,537
Gain on sale	(3,210)	(5,152)	(3,608)
	(1,439,319)	(352,055)	(367,440)
Change in assets held for sale	3,371	3,821	550
Change in inventories		(2,166)	(3,212)
Change in other non-financial assets		(77,882)	(82,064)
	3,371	(76,227)	(84,726)
Change in net debt	(873,286)	(341,748)	(147,547)
Net debt at beginning of year	(4,955,193)	(4,955,193)	(4,807,646)
Net debt at end of year	(5,828,479)	(5,296,941)	(4,955,193)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows

Fiscal Year Ended December 31, 2013

	<i>(in thousands of dollars)</i>	
	2013	2012
Operating activities		
Surplus for the year	86,534	304,619
Items not affecting cash		
Amortization of capital assets	768,754	703,537
Gain on sale of capital assets	(5,152)	(3,608)
Other	613	(8,323)
	850,749	996,225
Change in non-cash items		
Accounts receivable	(12,936)	(30,150)
Loans	(17,893)	(5,857)
Employee future benefits liability or asset	123,244	72,848
Accounts payables, provisions, and accrued liabilities	70,833	17,516
Deferred revenues	(25,622)	89,171
Inventories	(2,166)	(3,212)
Other non-financial assets	(77,882)	(82,064)
	908,327	1,054,477
Capital investing activities		
Acquisition of capital assets	(1,128,038)	(1,073,995)
Proceeds from sale of capital assets	12,381	6,626
	(1,115,657)	(1,067,369)
Other investing activities		
Acquisition of investments	(481,875)	(398,263)
Proceeds from sale of investments	385,931	156,488
Net change in assets held for sale	6,807	(1,364)
	(89,137)	(243,139)
Financing activities		
Proceeds from long-term debt	963,911	694,625
Repayment of long-term debt, net of refinancings	(441,411)	(346,756)
Bond redemption by refinancing	(280,610)	(123,717)
Net change in temporary loans	74,360	(5,062)
	316,250	219,090
Increase (Decrease) in cash and cash equivalents	19,783	(36,941)
Cash and cash equivalents at beginning of year	292,565	329,506
Cash and cash equivalents at end of year	312,348	292,565

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, 2013

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION

(in thousands of dollars)

	2013			2012
	Municipal administration	Controlled organizations	Eliminations	Total
FINANCIAL ASSETS				
Cash and temporary investments	214,053	98,295		312,348
Investments	2,210,653	543,076		2,753,729
Accounts receivable	2,025,822	1,134,844	(300,591)	2,860,075
Assets held for sale	1,622	4,076		5,698
Loans	30,656	39,992	(26,749)	43,899
Employee future benefits asset				48,525
	<u>4,482,806</u>	<u>1,820,283</u>	<u>(327,340)</u>	<u>5,975,749</u>
LIABILITIES				
Temporary loans		248,355		248,355
Accounts payable, provisions and accrued liabilities	1,299,104	306,999	(92,232)	1,513,871
Deferred revenues	126,964	82,438	(22,000)	187,402
Long-term debt	7,180,651	2,328,494	(260,802)	9,248,343
Employee future benefits liability (asset)	206,591	(131,872)		74,719
	<u>8,813,310</u>	<u>2,834,414</u>	<u>(375,034)</u>	<u>11,272,690</u>
NET DEBT	<u>(4,330,504)</u>	<u>(1,014,131)</u>	<u>47,694</u>	<u>(5,296,941)</u>
NON-FINANCIAL ASSETS				
Capital assets	8,051,409	2,846,536		10,897,945
Assets held for sale	47,689	21,538		69,227
Inventories	29,607	42,390		71,997
Other non-financial assets	64,674	362,196	(22,000)	404,870
	<u>8,193,379</u>	<u>3,272,660</u>	<u>(22,000)</u>	<u>11,444,039</u>
ACCUMULATED SURPLUS				
Unrestricted operating surplus (deficit)	38,976	(52,887)	25,694	11,783
Restricted operating surplus	214,059	57,095		271,154
Financial reserves and reserved funds	301,887	7,302		309,189
Deficit from capital asset activities	(235,785)	(58,255)	(13,400)	(307,440)
Recognized expenditures to be taxed or funded	(956,299)	92,215	32,674	(831,410)
Net investment in capital assets	4,500,037	2,213,059	(19,274)	6,693,822
	<u>3,862,875</u>	<u>2,258,529</u>	<u>25,694</u>	<u>6,147,098</u>

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2013

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

	2013			2012
	<u>Municipal administration</u>	<u>Controlled organizations</u>	<u>Eliminations</u>	<u>Total</u>
Revenues				Total
Operating				
Taxes	2,973,164		(15,995)	2,957,169
Payments in lieu of taxes	238,412			238,412
Quota shares	396,296	403,432	(403,432)	396,296
Transfers	358,328	150,743		509,071
Services rendered	309,737	799,003	(86,073)	1,022,667
Fee collection	157,609			157,609
Fines and penalties	195,765			195,765
Interest	118,802	15,928	(8,178)	126,552
Other revenues	66,575	165,688	(27,802)	204,461
	<u>4,814,688</u>	<u>1,534,794</u>	<u>(541,480)</u>	<u>5,808,002</u>
Capital Assets				
Quota shares		8,791	(8,791)	
Transfers	103,508	238,927		342,435
Other revenues				
Developers' contributions	27,727			27,727
Other	6,890			6,890
	<u>138,125</u>	<u>247,718</u>	<u>(8,791)</u>	<u>377,052</u>
	<u>4,952,813</u>	<u>1,782,512</u>	<u>(550,271)</u>	<u>6,185,054</u>
Expenditures				
General administration	911,084		(2,271)	908,813
Public security	1,072,822		(924)	1,071,898
Transportation	1,080,196	1,531,540	(516,572)	2,095,164
Environmental hygiene	603,070		(2,176)	600,894
Health and welfare	90,623	65,186	(9,162)	146,647
Urban planning and development	220,041	9,492	(11,232)	218,301
Recreation and culture	577,752	49,349	(25,450)	601,651
Financing expenses	366,500	96,830	(8,178)	455,152
	<u>4,922,088</u>	<u>1,752,397</u>	<u>(575,965)</u>	<u>6,098,520</u>
Surplus for the year	<u>30,725</u>	<u>30,115</u>	<u>25,694</u>	<u>86,534</u>

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2013

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

	2013				2012
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total
Surplus for the year	562,662	30,725	30,115	25,694	86,534
Less: revenues from capital asset activities	(894,417)	(138,125)	(247,718)	8,791	(377,052)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(331,755)	(107,400)	(217,603)	34,485	(290,518)
Reconciliation for tax purposes					
Capital assets					
Proceeds from sale	3,210	6,867	5,514		12,381
Amortization	731,727	556,776	211,978		768,754
Gain on sale	(3,210)	(4,007)	(1,145)		(5,152)
	731,727	559,636	216,347		775,983
Financing					
Repayment of long-term debt	(479,942)	(376,516)	(68,430)	(8,402)	(453,348)
Allocations					
Capital asset activities	(51,398)	(49,222)	(35,409)		(84,631)
Restricted operating surplus	83,704	64,795	4,062		68,857
Financial reserves and reserved funds	(27,574)	(76,170)	(476)		(76,646)
Use of the sinking fund		19,995			19,995
Recognized expenditures to be taxed or funded	99,282	(17,560)	107,997	(389)	90,048
	104,014	(58,162)	76,174	(389)	17,623
Operating surplus for tax purposes for the year	24,044	17,558	6,488	25,694	49,740
					121,387

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2013

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

(in thousands of dollars)

	2013				2012	
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	894,417	138,125	247,718	(8,791)	377,052	370,715
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(96,934)	(41,304)			(41,304)	(53,576)
Public security	(81,694)	(55,009)			(55,009)	(25,079)
Transportation	(1,086,247)	(222,889)	(379,664)		(602,553)	(491,326)
Environmental hygiene	(471,375)	(177,464)			(177,464)	(243,591)
Health and welfare		(654)	(14,459)		(15,113)	(1,823)
Urban planning and development	(149,989)	(37,374)	(2,921)		(40,295)	(43,076)
Recreation and culture	(284,807)	(196,119)	(181)		(196,300)	(215,524)
	(2,171,046)	(730,813)	(397,225)		(1,128,038)	(1,073,995)
Financing						
Long-term financing of capital asset activities	1,053,639	405,911	32,831	908	439,650	314,375
Allocations						
Operating activities	51,398	49,222	35,409		84,631	59,592
Restricted operating surplus		18,584			18,584	11,750
Financial reserves and reserved funds	171,592	47,260			47,260	35,771
Use of the sinking fund		190,505			190,505	
	222,990	305,571	35,409		340,980	107,113
Surplus (deficit) from capital asset activities for tax purposes for the year		118,794	(81,267)	(7,883)	29,644	(281,792)

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2013

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

	2013			2012	
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Remuneration					
Elected officials	9,846	159		10,005	9,507
Employees	1,611,362	678,288	(4,024)	2,285,626	2,228,172
Employer contributions					
Elected officials	3,787	32		3,819	3,917
Employees	814,967	296,316		1,111,283	1,039,991
Transportation and communication	44,392	158,766		203,158	187,606
Professional, technical and other services					
Professional fees	42,699	27,272		69,971	76,995
Purchase of technical services	298,723	40,970	(15,071)	324,622	303,201
Other	3,155	15,360		18,515	18,816
Leasing, maintenance and repair					
Leasing	97,909	18,891	(19,259)	97,541	92,522
Maintenance and repair	59,672	18,106		77,778	92,623
Durable goods					
Construction	11,764	2,335		14,099	17,315
Other durable goods	3,066	40,138		43,204	30,173
Non-durable goods					
Delivery of public services	79,031	14,798	(8,938)	84,891	86,701
Other non-durable goods	146,098	51,633		197,731	186,319
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	271,119	47,121	(8,178)	310,062	300,964
Government of Québec and its enterprises	72,246	46,463		118,709	124,043
Other third parties	22,260	47		22,307	21,504
Other financing expenses	875	3,199		4,074	4,043
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	412,222		(412,222)		
Montréal Metropolitan Community	29,469			29,469	29,517
Reconstituted municipalities					222
Other	26,342		(26,045)	297	
Government organizations					
Agence métropolitaine de transport	49,674			49,674	50,777
Other	11,152			11,152	10,913
Other organizations	121,166	11,530	(2,101)	130,595	126,001
Amortization of capital assets	556,776	211,978		768,754	703,537
Other items					
Doubtful accounts or bad debts	22,546	3,691		26,237	17,683
Other	99,770	65,304	(80,127)	84,947	27,797
	<u>4,922,088</u>	<u>1,752,397</u>	<u>(575,965)</u>	<u>6,098,520</u>	<u>5,790,859</u>

See the accompanying notes and tables.

Notes and Tables to the Consolidated Financial Statements

December 31, 2013

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. They contain certain financial information for tax purposes presented in Note 14.

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 (the 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 du port de plaisance de Lachine, Anjou 80, the Société vélo en libre-service and the Société en commandite Stationnement de Montréal. 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.

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 benefits, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefits liability and expenses.

Notes and Tables to the Consolidated Financial Statements

December 31, 2013

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

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 included in the sinking fund are restricted to the repayment of long-term loans that do not require annual repayment and, for the municipal administration, to the reduction of the long-term financing related to the acquisition of capital assets and to certain operating expenditures.

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 s).

i) Other non-financial assets

The City records capital assets and certain assets as non-financial 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.

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.

Notes and Tables to the Consolidated Financial Statements

December 31, 2013

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Tax revenues and compensations in lieu of taxes

Except for revenues from the tax on registered vehicles, tax revenues and compensations in lieu of taxes are recognized in the year in which they are billed. Revenues from the tax on registered vehicles are recognized over a 12-month period from the date they are received.

n) 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.

o) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, authorized by the transferor and the eligibility criteria have been met, unless the transfer stipulations give rise to an obligation that meets the definition of a liability.

p) Employee future benefits asset and expenses

- Defined benefit liability/asset plans

Plan liability or asset 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, 2013, 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.

q) 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.

Notes and Tables to the Consolidated Financial Statements

December 31, 2013

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

r) 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.

s) 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 unamortized foreign exchange gain or loss relating to a long-term debt denominated in 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.

t) 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.

u) 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.

Notes and Tables to the Consolidated Financial Statements

December 31, 2013

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

v) 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.

w) 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.

A comparison with the unconsolidated budget, adopted in December 2012 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

3- CHANGE IN ACCOUNTING POLICY

On January 1, 2013, the City adopted the recommendations of new accounting standard PS 3410, *Government Transfers*. This new standard requires that government transfers be recognized as revenue in the year in which the transfers are authorized by the transferor and the eligibility criteria have been met, unless the transfer stipulations give rise to an obligation that meets the definition of a liability. The City has determined that the retroactive application of the standard has no impact on the presentation of its consolidated financial statements.

However, certain aspects of the standard, in particular issues related to the notion of authorization of transfers, are currently the subject of differing accounting interpretations. Given these differences, the Public Sector Accounting Board agreed, at its meeting of December 12 and 13, 2013, to create a subcommittee tasked with reviewing those issues and reporting back its related recommendations. The City will closely monitor the progress of the standardization work.

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

4- CASH AND INVESTMENTS
(in thousands of dollars)

	2013			2012
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		95,687	95,687	107,539
Temporary investments		216,661	216,661	185,026
		312,348	312,348	292,565
Investments				
Term deposits and other securities	27,817	606,461	634,278	763,793
Bonds and debentures	1,867,687	251,764	2,119,451	1,893,992
	1,895,504	858,225	2,753,729	2,657,785

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 1.06% and 1.80% (0.85% and 1.80% in 2012). As at December 31, 2013, the fair value of investments was \$2,811.8 million (\$2,775.4 million in 2012).

As at December 31, 2012, the Sinking Fund and other investments totalled \$1,862.3 million and \$795.5 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 \$400.2 million (\$415.6 million in 2012).

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2013 and December 31, 2012. 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
December 31, 2013				
2014	633,278	189,746	823,024	2.21%
2015		114,927	114,927	3.79%
2016	1,000	183,393	184,393	3.61%
2017		397,800	397,800	3.58%
2018		160,079	160,079	3.73%
1 to 5 years	634,278	1,045,945	1,680,223	2.94%
6 to 10 years		894,464	894,464	4.33%
11 to 15 years		52,441	52,441	4.62%
16 to 20 years		121,520	121,520	4.01%
More than 20 years		5,081	5,081	4.00%
	634,278	2,119,451	2,753,729	
December 31, 2012				
2013	763,793	102,530	866,323	1.86%
2014		160,727	160,727	5.66%
2015		108,104	108,104	4.02%
2016		169,114	169,114	3.68%
2017		390,246	390,246	3.62%
1 to 5 years	763,793	930,721	1,694,514	2.94%
6 to 10 years		842,943	842,943	4.46%
11 to 15 years		68,197	68,197	5.19%
16 to 20 years		52,131	52,131	3.92%
	763,793	1,893,992	2,657,785	

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

5- ACCOUNTS RECEIVABLE

(in thousands of dollars)

	2013	2012
Taxes	90,651	76,759
Government of Canada and its enterprises	83,000	58,112
Government of Québec and its enterprises	2,277,775	2,277,579
Municipal organizations	3,102	1,797
Services rendered and other	405,547	438,483
	<u>2,860,075</u>	<u>2,852,730</u>

An allowance for doubtful accounts of \$139.0 million (\$124.5 million in 2012) 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 \$13.0 million (\$3.6 million in 2012) were factored to the financial institution, at no time exceeding the authorized amount. The factoring cost of these accounts receivable is \$0.1 million (\$0.1 million in 2012) and is included in transportation expenses in the statement of operations.

	2013	2012
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	<u>1,995,170</u>	<u>1,959,903</u>

The fair value of the receivables to be used to repay long-term debt is \$2,122.9 million (\$2,166.4 million in 2012). Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2013, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2013			
2014	224,331	4.65%	73,012
2015	204,240	4.63%	64,174
2016	192,120	4.68%	13,715
2017	186,261	4.73%	27,477
2018	158,484	4.74%	41,324
1 to 5 years	965,436	4.68%	219,702
6 to 10 years	480,726	4.52%	33,903
11 to 15 years	130,656	4.02%	6,345
16 to 20 years	71,151	3.36%	1,647
	<u>1,647,969</u>	<u>4.52%</u>	<u>261,597</u>
December 31, 2012			
2013	105,504	5.27%	55,611
2014	186,756	5.10%	73,012
2015	72,819	5.42%	64,174
2016	94,438	5.33%	13,715
2017	214,581	5.10%	27,443
1 to 5 years	674,098	5.19%	233,955
6 to 10 years	778,462	4.66%	71,465
11 to 15 years	63,156	5.82%	6,345
16 to 20 years	34,337	3.98%	
	<u>1,550,053</u>	<u>4.93%</u>	<u>311,765</u>

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

6- LOANS

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Loans	37,791	23,562
Balances of sales prices	<u>6,108</u>	<u>2,444</u>
	<u>43,899</u>	<u>26,006</u>

The loans, secured by mortgages in an amount of \$24.1 million and maturing from 2014 to 2030, bear interest at rates varying between 0% and 9% (amount of \$10.9 million maturing from 2013 to 2030 at rates varying between 0% and 9% in 2012). An amount of \$4.7 million has been deducted from the value of the loans to present them at discounted face value (\$3.8 million in 2012).

As at December 31, 2013, balances of sales prices, which mature from 2014 to 2033, bear interest at rates varying between 4.4% and 9% (maturing from 2013 to 2017 at interest rates varying between 3.5% and 9% in 2012).

As at December 31, 2013, the fair value of loans and the balances of sales prices was \$43.1 million (\$24.4 million in 2012).

7- EMPLOYEE FUTURE BENEFITS (LIABILITY) ASSET

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Defined benefit pension plans	173,939	290,469
Other plans	<u>(248,658)</u>	<u>(241,944)</u>
(Liability) Asset employee future benefits	<u>(74,719)</u>	<u>48,525</u>

Expenses for the defined benefit plans totalled \$741.8 million (\$707.6 million in 2012). Expenses for the defined contribution plans and the pension plans of elected officials totalled \$0.5 million (\$0.4 million in 2012) and \$2.2 million (\$2.1 million in 2012), 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.

The most recent actuarial valuations were performed from December 31, 2009 to December 31, 2012.

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

7- EMPLOYEE FUTURE BENEFITS (LIABILITY) ASSET

(in thousands of dollars)

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

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	14,233,598		13,277,625	
Accrued benefit obligation	(16,215,472)	(273,234)	(15,404,019)	(250,038)
Capitalization deficit	(1,981,874)	(273,234)	(2,126,394)	(250,038)
Unamortized actuarial losses	2,293,730	24,576	2,486,750	8,094
Accrued benefit asset (liability)	311,856	(248,658)	360,356	(241,944)
Valuation allowance	(137,917)		(69,887)	
Employee future benefits asset (liability)	173,939	(248,658)	290,469	(241,944)

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

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(12,769,380)	(273,234)	(12,906,860)	(250,038)
Actuarial value of plan assets	10,647,204		10,708,538	
Capitalization deficit	(2,122,176)	(273,234)	(2,198,322)	(250,038)

d) Actuarial value of plan assets

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	13,277,625		12,448,874	
Expected return on plan assets	794,272		751,917	
Gain during the year on the expected return on plan assets	262,621		161,927	
Actual return on plan assets	1,056,893		913,844	
Contributions for the year	752,063	9,985	751,317	11,386
Benefits paid	(852,983)	(9,985)	(836,410)	(11,386)
Balance at end	14,233,598		13,277,625	
Fair value of plan assets	15,044,003		13,159,741	

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

7- EMPLOYEE FUTURE BENEFITS (LIABILITY) ASSET

(in thousands of dollars)

e) Accrued benefit obligation

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	15,404,019	250,038	15,045,303	259,525
Current service cost	436,576	8,955	415,228	9,270
Past service cost	2,068		7,340	
Benefits paid	(852,983)	(9,985)	(836,410)	(11,386)
Interest cost on the obligation	908,503	10,341	895,415	11,236
Loss (Gain) on the obligation during the year	317,289	13,885	(122,857)	(18,607)
Balance at end	<u>16,215,472</u>	<u>273,234</u>	<u>15,404,019</u>	<u>250,038</u>

f) Components of the expense for defined benefits plans

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	436,576	8,955	415,228	9,270
Past service cost	2,068		7,340	
Employee contributions	(143,509)		(127,928)	
Amortization of actuarial losses (gains)	247,688	(2,597)	271,154	(1,413)
Retirement benefits expense	<u>542,823</u>	<u>6,358</u>	<u>565,794</u>	<u>7,857</u>
Interest cost on the obligation	908,503	10,341	895,415	11,236
Expected return on plan assets	<u>(794,272)</u>		<u>(751,917)</u>	
Interest cost	<u>114,231</u>	<u>10,341</u>	<u>143,498</u>	<u>11,236</u>
Change in valuation allowance	<u>68,030</u>		<u>(20,762)</u>	
Total expense	<u>725,084</u>	<u>16,699</u>	<u>688,530</u>	<u>19,093</u>

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

7- EMPLOYEE FUTURE BENEFITS (LIABILITY) ASSET

(in thousands of dollars)

g) Principal assumptions

The principal assumptions used are as follows:

	2013		2012	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.00% to 6.10%	3.75% to 4.50%	6.00%	3.75% to 4.50%
Rate of expected return on plan assets	6.00% to 6.10%		6.00%	
Inflation rate	2.00% to 2.25%	2.00% to 2.25%	2.00% to 2.25%	2.00% to 2.25%
Salary escalation rate	2.50% to 3.00%	2.96% to 3.25%	2.50% to 3.00%	2.96% to 3.25%
Initial growth rate for healthcare costs		5.00% to 7.97%		5.30% to 9.14%
Ultimate growth rate for healthcare costs		4.40% to 5.50%		4.00% to 5.50%
Years when rate is expected to stabilize		2024 and 2032		2025 and 2032
Initial growth rate for dental care costs		4.00%		4.00% to 5.00%

Mortality Tables

In 2013, the Canadian Institute of Actuaries (CIA) published a study on new mortality tables. The study mainly found that Canadian retirees were living longer than projected using the previous tables based on U.S. pensioner mortality experience. The City is using the new tables to better estimate the value of its liability as at December 31, 2013 except for the plans of the STM. Those plans are subject to specific mortality experience studies on the underlying pension plan population and, therefore, use a specific experience-based assumption rather than generic tables.

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

	2013	2012
Defined contribution plans	497	438
Pension plans of elected officials	2,196	2,109

8- TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled \$1,788.8 million as at December 31, 2013 (\$1,761.7 million in 2012).

Of this amount, \$1,475.8 million (\$500.0 million under the limit set by the STM and \$975.8 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, 2013, the nominal value of commercial paper issuances was \$226.6 million (\$160.9 million in 2012) and the average rate on these temporary loans was 1.16% (1.13% in 2012).

The City also has demand lines of credit from different banks totalling \$313.0 million. As at December 31, 2013, the amount of the credit used was \$21.8 million (\$13.1 million in 2012) and bears interest at an average rate of 2.59% (2.79% in 2012).

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

9- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
 (in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Trade accounts payable	510,237	492,806
Salaries, source deductions and employee benefits	587,480	569,215
Accrued interest payable on long-term debt	70,412	77,061
Provisions		
Solid waste landfill closure and post-closure costs	40,355	38,399
Contested valuations	12,375	17,539
Other	101,245	82,011
Deposits and holdbacks	124,290	108,937
Government of Québec and its enterprises	27,605	9,724
Government of Canada and its enterprises	5,844	5,331
Other	34,028	42,015
	<u>1,513,871</u>	<u>1,443,038</u>

10- DEFERRED REVENUES
 (in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Premium upon issuance of securities	60,758	65,411
Transfers	60,721	73,527
Transit passes	20,677	20,008
Automobile registration taxes	15,344	15,232
Other	29,902	41,397
	<u>187,402</u>	<u>215,575</u>

11- LONG-TERM DEBT
 (in thousands of dollars)

	<u>2013</u>	<u>2012</u>
Bonds and notes		
In Canadian dollars (1)	9,077,561	8,771,695
In foreign currencies	320	51,042
Other long-term debt		
Obligations under capital leases	1,062	1,503
Term loans and mortgages (2)	138,300	148,873
Other	31,100	35,767
	<u>9,248,343</u>	<u>9,008,880</u>

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling \$1,294.9 million (\$1,302.1 million in 2012).

(2) Mortgages in the amount of \$38.1 million (\$43.1 million in 2012) are guaranteed by properties with a carrying value of \$47.5 million (\$47.7 million in 2012).

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

11- LONG-TERM DEBT (continued)

(in thousands of dollars)

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

	<u>2013</u>	<u>2012</u>
Chargeable to taxpayers		
Of the central municipality	3,123,570	2,927,392
Of the agglomeration	1,890,756	1,920,919
Accumulated amounts in the Sinking Fund	1,895,504	1,862,335
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,995,170	1,959,903
Amount recoverable through user fees	<u>343,343</u>	<u>338,331</u>
	<u>9,248,343</u>	<u>9,008,880</u>

The City uses currency and interest-rate swap agreements for loans totalling \$259.9 million (\$334.9 million in 2012). The financial liabilities associated with these swaps 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, 2013, unhedged foreign exchange loans amounted to \$0.3 million (\$51 million in 2012) and the foreign exchange gain on these loans amounted to \$0.6 million (\$23.1 million in 2012).

Estimated payments on long-term debt are as follows:

	2013					2012		
	Canadian	Foreign			Net			Net
Maturity	dollars (1)	currencies	Maturity	Refinancing	maturity	Maturity	Refinancing	maturity
2013						743,537	302,183	441,354
2014	800,087		800,087	197,508	602,579	760,420	197,512	562,908
2015	632,385		632,385	254,711	377,674	559,682	219,802	339,880
2016	435,105		435,105	80,227	354,878	399,617	83,828	315,789
2017	912,234		912,234	146,254	765,980	908,868	181,165	727,703
2018	869,694		869,694	304,306	565,388			
1 to 5 years	3,649,505		3,649,505	983,006	2,666,499	3,372,124	984,490	2,387,634
6 to 10 years	2,913,253		2,913,253	695,281	2,217,972	3,067,814	873,316	2,194,498
11 to 15 years	1,122,969		1,122,969	22,172	1,100,797	1,228,308	22,172	1,206,136
16 to 20 years	508,566		508,566	70,256	438,310	286,611	47,100	239,511
2043	934,556		934,556	184,556	750,000	934,556		934,556
2045	119,174		119,174	119,174		119,174		119,174
Perpetuity		320	320		320	293		293
TOTAL	9,248,023	320	9,248,343	2,074,445	7,173,898	9,008,880	1,927,078	7,081,802

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

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

11- LONG-TERM DEBT (continued)
 (in thousands of dollars)
Debt summary:

	2013			2012		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		9,248,023	100.00		8,957,838	99.44
Swiss Francs				46,700	50,749	0.56
Pounds Sterling	181	320	0.00	181	293	0.00
		<u>9,248,343</u>	<u>100.00</u>		<u>9,008,880</u>	<u>100.00</u>

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

Interest rates

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

Maturity	2013			2012
	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	4.50%		4.50%	4.64%
6 to 10 years	4.56%		4.56%	4.76%
11 to 15 years	5.24%		5.24%	5.32%
16 to 20 years	4.21%		4.21%	4.13%
2043	6.00%		6.00%	5.90%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	<u>4.76%</u>	<u>3.00%</u>	<u>4.76%</u>	<u>4.91%</u>

Fair value

The fair value of the debt was \$9,901.4 million (\$10,144.7 million in 2012). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of \$31.2 million (\$61.3 million in 2012).

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

12- CAPITAL ASSETS
 (in thousands of dollars)

	Balance as at December 31, 2012	Increase	Decrease	Balance as at December 31, 2013
COST				
Infrastructures	9,879,934	444,762	139,261	10,185,435
Metro system	2,809,367	166,269		2,975,636
Buildings	2,587,660	277,316	9,176	2,855,800
Leasehold improvements	73,508	2,866		76,374
Vehicles	1,357,545	86,674	38,711	1,405,508
Office furniture and equipment	343,068	88,746	56,717	375,097
Machinery, tools and equipment	306,359	32,493	2,179	336,673
Land	1,122,384	26,968	2,856	1,146,496
Other	10,674	1,944	1,278	11,340
	<u>18,490,499</u>	<u>1,128,038</u>	<u>250,178</u>	<u>19,368,359</u>
ACCUMULATED AMORTIZATION				
Infrastructures	4,371,960	388,350	139,262	4,621,048
Metro system	1,563,272	61,390		1,624,662
Buildings	1,186,846	111,530	5,821	1,292,555
Leasehold improvements	34,169	3,543		37,712
Vehicles	525,946	114,998	37,845	603,099
Office furniture and equipment	149,903	63,694	56,717	156,880
Machinery, tools and equipment	106,493	24,954	2,026	129,421
Other	6,020	295	1,278	5,037
	<u>7,944,609</u>	<u>768,754</u>	<u>242,949</u>	<u>8,470,414</u>
NET CARRYING VALUE	<u>10,545,890</u>			<u>10,897,945</u>

The cost of the capital assets in the process of completion totalizing \$447.3 million as at December 31, 2013 (\$480.6 million in 2012).

13- OTHER NON-FINANCIAL ASSETS
 (in thousands of dollars)

	2013	2012
Deposits to purchase metro cars and buses	326,659	277,878
Deposits to purchase land	16,300	
Securities issuance costs	53,251	39,258
Other	8,660	9,852
	<u>404,870</u>	<u>326,988</u>

Notes and Tables to the Consolidated Financial Statements (continued)

December 31, 2013

14- ACCUMULATED SURPLUS

(in thousands of dollars)

	2013	2012
Unrestricted operating surplus	11,783	50,372
Restricted operating surplus	271,154	269,837
Financial reserves and reserved funds	309,189	280,232
Deficit of capital asset activities	(307,440)	(337,084)
Recognized expenditures to be taxed or funded	(831,410)	(741,362)
Net investment in capital assets	6,693,822	6,538,569
	6,147,098	6,060,564

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.

Recognized expenditures to be taxed or funded

Recognized expenditures to be taxed or funded 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 recognized expenditures to be taxed or funded 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, 2013

15- TRANSFER REVENUES

(in thousands of dollars)

	2013	2012
Transfers - Operating activities		
Government of Québec	509,071	534,345
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	18,537	26,109
Gas tax program and the Québec government contribution (TECQ)	39,419	66,307
Government of Québec		
Canada/Québec Infrastructure program	18,769	26,117
Québec/Municipalities Infrastructure program	195,119	116,974
Gas tax program and the Québec government contribution (TECQ)	64,092	43,351
Other	6,499	52,138
	<u>342,435</u>	<u>330,996</u>
	<u>851,506</u>	<u>865,341</u>

16- INTEREST INCOME

(in thousands of dollars)

	2013	2012
Sinking Fund	70,109	62,786
Cash and other interest	43,725	51,135
Tax arrears	12,718	17,312
	<u>126,552</u>	<u>131,233</u>

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, 2013, 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, 2013

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)	2013		2012	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,811,841	2,753,729	2,775,424	2,657,785
Receivables amount to be used to repay				
long-term debt	2,122,892	1,995,170	2,166,391	1,959,903
Loans	43,100	43,899	24,431	26,006
Long-term debt	9,901,450	9,248,343	10,144,701	9,008,880

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, 2013, the fair value of financial liabilities associated with swaps stood at \$31.2 million (\$61.3 million in 2012). It is 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 \$1,423.9 million. The estimated amounts payable over the coming years are as follows:

2014	2015	2016	2017	2018	2019-2069	Total
\$329.5M	\$262.0M	\$186.0M	\$142.0M	\$122.1M	\$382.3M	\$1,423.9M

Capital activity commitments total \$2,266.7 million of which \$1,408.7 million is to purchase metro cars.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2016. As at December 31, 2013, the balance of the commitment was \$58.9 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, 2014.

The conclusion of this agreement may result in an increase in assets of approximately \$1,036.7 million (excluding taxes) \$580.3 million as capital assets, \$456.4 million as receivables to be used to repay long-term debt, and an increase in liabilities of \$456.4 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, 2013

18- COMMITMENTS AND CONTINGENCIES (continued)

c) 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.

d) Claims and insurance

Claims pending against the City amount to \$540 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.

e) 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 (the CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Communauté métropolitaine de Montréal* (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 (\$29.5 million in 2012). The CMM, for its part, paid the City \$43,9 million (\$37.8 million in 2012) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

20- SUBSEQUENT EVENT

On January 19, 2014, Ville de Montréal sent a notice to Public Bike System Company (PBSC) in accordance with section 244 of the Bankruptcy and Insolvency Act (R.S.C., 1985, c. B-3). On January 20, 2014, in accordance with the provisions of the Bankruptcy and Insolvency Act, PBSC filed a notice of intention to submit a proposal to its creditors. The proposal was to be initially submitted on February 20, 2014. This date was extended to April 7, 2014 by order of the Superior Court. Currently, the city cannot predict the outcome of this proceeding or measure the financial impact on its consolidated financial statements.

21- PRIOR PERIOD

Certain comparative figures have been reclassified to conform to the current year's presentation. In particular, the city reclassified a \$40.3 million credit balance for grants related to an infrastructure financing program as a transfer in deferred revenues.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2013

TABLE 1 – CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2013	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	2,916,433	2,928,839
Payments in lieu of taxes	242,990	238,412
Quota shares		
Transfers	199,531	204,598
Services rendered	497,028	490,768
Fee collection	146,721	155,731
Fines and penalties	105,973	106,453
Interest	73,037	81,063
Other revenues	49,225	57,144
	<u>4,230,938</u>	<u>4,263,008</u>
Operating expenditures		
General administration	859,402	796,703
Public security	770,569	770,737
Transportation	872,154	891,964
Environmental hygiene	466,444	463,766
Health and welfare	117,147	104,010
Urban planning and development	189,690	181,533
Recreation and culture	459,623	481,937
Financing expenses	257,544	241,370
	<u>3,992,573</u>	<u>3,932,020</u>
Surplus before financing and allocations	<u>238,365</u>	<u>330,988</u>
Financing		
Repayment of long-term debt (3)	<u>(241,638)</u>	<u>(231,623)</u>
Allocations		
Capital asset activities	(21,935)	(46,346)
Restricted operating surplus	75,561	64,757
Financial reserves and reserved funds	(2,402)	(31,855)
Use of the sinking fund		19,362
Recognized expenditures to be taxed or funded	<u>(24,100)</u>	<u>(72,846)</u>
	<u>27,124</u>	<u>(66,928)</u>
Operating surplus (deficit) for tax purposes for the year	<u>23,851</u>	<u>32,437</u>

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$18.0 million (\$23.1 million in 2012) 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 gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

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

(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. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
42,740	44,325	(14,268)	(15,995)	2,944,905	2,957,169	2,855,776
				242,990	238,412	241,638
2,535,498	2,551,170	(2,138,865)	(2,154,874)	396,633	396,296	393,230
339,555	304,473			539,086	509,071	534,345
669,170	645,317	(96,157)	(113,418)	1,070,041	1,022,667	968,137
1,969	1,878			148,690	157,609	208,215
91,223	89,312			197,196	195,765	181,576
54,299	53,667	(14,523)	(8,178)	112,813	126,552	131,233
181,916	182,348	(28,263)	(27,802)	202,878	211,690	213,626
3,916,370	3,872,490	(2,292,076)	(2,320,267)	5,855,232	5,815,231	5,727,776
419,354	391,829	(291,038)	(294,665)	987,718	893,867	823,694
1,018,010	1,020,752	(753,345)	(753,686)	1,035,234	1,037,803	1,027,797
1,577,591	1,691,136	(842,534)	(886,986)	1,607,211	1,696,114	1,547,989
235,754	222,397	(268,658)	(269,660)	433,540	416,503	402,430
36,207	32,940	(13,266)	(13,235)	140,088	123,715	124,069
75,982	50,218	(43,112)	(43,395)	222,560	188,356	201,246
127,988	121,266	(83,800)	(84,947)	503,811	518,256	509,538
282,077	221,960	(14,523)	(8,178)	525,098	455,152	450,554
3,772,963	3,752,498	(2,310,276)	(2,354,752)	5,455,260	5,329,766	5,087,317
143,407	119,992	18,200	34,485	399,972	485,465	640,459
(230,682)	(213,323)	(7,622)	(8,402)	(479,942)	(453,348)	(422,796)
(29,463)	(38,285)			(51,398)	(84,631)	(59,592)
8,143	4,100			83,704	68,857	68,996
(25,172)	(44,791)			(27,574)	(76,646)	(95,690)
	633				19,995	
133,960	163,283	(10,578)	(389)	99,282	90,048	(9,990)
87,468	84,940	(10,578)	(389)	104,014	17,623	(96,276)
193	(8,391)		25,694	24,044	49,740	121,387

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2013

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

	2013	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	185,316	65,583
Other revenues		
Developers contributions	3,842	27,720
Other	9,955	5,948
	<u>199,113</u>	<u>99,251</u>
Capital expenditures		
General administration	63,433	23,124
Public security	375	1,157
Transportation	334,622	200,403
Environmental hygiene	122,540	71,962
Health and welfare		14,459
Urban planning and development	115,702	38,936
Recreation and culture	176,055	164,287
	<u>812,727</u>	<u>514,328</u>
Deficit before financing and allocations	<u>(613,614)</u>	<u>(415,077)</u>
Financing		
Long-term financing of capital asset activities	<u>546,140</u>	<u>311,283</u>
Allocations		
Operating activities	21,935	46,346
Restricted operating surplus		18,646
Financial reserves and reserved funds (3)	45,539	8,113
Use of the sinking fund		126,638
	<u>67,474</u>	<u>199,743</u>
Surplus (deficit) of capital asset activities for tax purposes for the year	<u><u></u></u>	<u><u>95,949</u></u>

(1) The revenues include transfers of \$18.0 million (\$23.1 million in 2012) 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 gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

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

(3) The allocation of \$39.1 million (\$22.5 million in 2012) presented in agglomeration responsibilities includes an amount of \$2.7 million (\$3.1 million in 2012) from local responsibilities.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual (1)	Budget	Actual	Budget	Actual	Actual
18,200	8,791	(18,200)	(8,791)			
693,925	276,852			879,241	342,435	330,996
	7			3,842	27,727	26,865
1,379	942			11,334	6,890	12,854
713,504	286,592	(18,200)	(8,791)	894,417	377,052	370,715
33,501	18,180			96,934	41,304	53,576
81,319	53,852			81,694	55,009	25,079
751,625	402,150			1,086,247	602,553	491,326
348,835	105,502			471,375	177,464	243,591
	654				15,113	1,823
34,287	1,359			149,989	40,295	43,076
108,752	32,013			284,807	196,300	215,524
1,358,319	613,710			2,171,046	1,128,038	1,073,995
(644,815)	(327,118)	(18,200)	(8,791)	(1,276,629)	(750,986)	(703,280)
489,299	127,459	18,200	908	1,053,639	439,650	314,375
29,463	38,285			51,398	84,631	59,592
	(62)				18,584	11,750
126,053	39,147			171,592	47,260	35,771
	63,867				190,505	
155,516	141,237			222,990	340,980	107,113
	(58,422)		(7,883)		29,644	(281,792)

Notes and Tables to the Consolidated Financial Statements (continued)

As at December 31, 2013

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS

(in thousands of dollars)

	2013	2012
Accumulated surplus		
Unrestricted operating surplus	11,783	50,372
Restricted operating surplus	271,154	269,837
Financial reserves and reserved funds	309,189	280,232
Deficit of capital asset activities	(307,440)	(337,084)
Recognized expenditures to be taxed or funded	(831,410)	(741,362)
Net investment in capital assets	6,693,822	6,538,569
	<u>6,147,098</u>	<u>6,060,564</u>
Breakdown of different items		
Restricted operating surplus		
Restricted surplus - Boroughs	142,974	152,693
Restricted surplus - Specific projects	39,215	39,917
Restricted surplus - Other purposes	88,965	77,227
	<u>271,154</u>	<u>269,837</u>
Financial reserves and reserved funds		
Financial reserves		
Water	243,923	223,593
Road network	33,865	26,527
	<u>277,788</u>	<u>250,120</u>
Reserved funds		
Parks and playing fields	12,202	10,333
Working capital	8,305	8,577
Balance of closed-loan by-laws	3,081	3,509
Parking areas	4,745	4,596
Other	3,068	3,097
	<u>31,401</u>	<u>30,112</u>
	<u>309,189</u>	<u>280,232</u>
Recognized expenditures to be taxed or funded		
Transitional measures as of January 1, 2000		
Employee benefits	(10,490)	(12,829)
Employee future benefits		
Pension plan	488,474	621,491
Other plans	(199,140)	(199,140)
	<u>289,334</u>	<u>422,351</u>
Long-term financing of operating activities	(1,110,254)	(1,150,884)
	<u>(831,410)</u>	<u>(741,362)</u>
Net investment in capital assets		
Assets		
Investments - Sinking Fund	1,895,504	1,862,335
Receivables amounts to be used to repay long-term debt	1,830,318	1,784,534
Capital assets	10,897,945	10,545,890
	<u>14,623,767</u>	<u>14,192,759</u>
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	(563)	(269)
Long-term debt	(9,248,343)	(9,008,880)
Debt not affecting the net investment in capital assets	1,318,961	1,354,959
	<u>(7,929,945)</u>	<u>(7,654,190)</u>
	<u>6,693,822</u>	<u>6,538,569</u>

Notes and Tables to the Consolidated Financial Statements (continued)

As at December 31, 2013

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT

(in thousands of dollars)

	2013	2012
Long-term debt of the municipal administration	7,180,651	7,083,816
<i>Add</i>		
Long-term unfunded operating expenditures	16,315	46,585
Long-term unfunded capital expenditures	249,182	360,096
Other		
Purchase of land	14,833	14,747
Government receivables	84,385	68,268
<i>Deduct</i>		
Receivables amount dedicated to repayment on long-term debt	1,233,176	1,257,559
Amount accumulated for repayment on long-term debt	1,353,428	1,427,131
Amount recoverable through user fees	334,298	328,629
Net long-term debt of the municipal administration	4,624,464	4,560,193
Share in the net total long-term debt of controlled organizations	737,463	696,206
Consolidated net long-term debt	5,361,927	5,256,399
Quota share in net total long-term debt - CMM	16,226	17,465
Consolidated net total long-term debt	5,378,153	5,273,864

2013

Municipal Administration Financial Reporting

Breakdown by
Responsibility

Water Management

Breakdown of Mixed
Expenditures



2013

Municipal Administration Financial Reporting

Breakdown by
Responsibility

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2013

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2013	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	2,916,433	2,928,839
Payments in lieu of taxes	242,990	238,412
Quota shares		
Transfers	199,531	204,598
Services rendered	263,613	280,292
Fee collection	146,721	155,731
Fines and penalties	105,973	106,453
Interest	72,867	80,817
Other revenues	46,810	48,874
	<u>3,994,938</u>	<u>4,044,016</u>
Operating expenditures		
General administration	859,402	796,703
Public security	770,569	770,737
Transportation	739,037	767,124
Environmental hygiene	466,444	463,766
Health and welfare	63,143	61,450
Urban planning and development	181,524	172,627
Recreation and culture	459,121	481,432
Financing expenses	252,276	236,568
	<u>3,791,516</u>	<u>3,750,407</u>
Surplus before financing and allocations	<u>203,422</u>	<u>293,609</u>
Financing		
Repayment of long-term debt (3)	<u>(231,792)</u>	<u>(221,347)</u>
Allocations		
Capital asset activities	(20,689)	(25,705)
Restricted operating surplus	75,561	64,757
Financial reserves and reserved funds	(2,402)	(31,855)
Use of the sinking fund		19,362
Recognized expenditures to be taxed or funded	<u>(24,100)</u>	<u>(72,846)</u>
	<u>28,370</u>	<u>(46,287)</u>
Operating surplus (deficit) for tax purposes for the year	<u><u></u></u>	<u><u>25,975</u></u>

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$18.0 million (\$23.1 million in 2012) 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 gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

(2) The eliminations refer to interjurisdictional transactions.

(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. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures.

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
42,740	44,325			2,959,173	2,973,164	2,871,471
				242,990	238,412	241,638
2,147,598	2,147,738	(1,750,965)	(1,751,442)	396,633	396,296	393,230
149,192	153,730			348,723	358,328	381,638
67,343	56,790	(20,732)	(27,345)	310,224	309,737	294,975
1,969	1,878			148,690	157,609	208,215
91,223	89,312			197,196	195,765	181,576
34,936	37,985			107,803	118,802	117,079
22,613	20,561			69,423	69,435	77,700
2,557,614	2,552,319	(1,771,697)	(1,778,787)	4,780,855	4,817,548	4,767,522
419,354	391,829	(287,001)	(292,394)	991,755	896,138	829,589
1,018,010	1,020,752	(752,427)	(752,762)	1,036,152	1,038,727	1,027,797
470,198	472,996	(370,065)	(370,414)	839,170	869,706	794,149
235,754	222,397	(266,499)	(267,484)	435,699	418,679	402,847
36,207	32,940	(4,073)	(4,073)	95,277	90,317	86,971
75,982	50,218	(32,160)	(32,163)	225,346	190,682	202,965
81,018	72,628	(59,472)	(59,497)	480,667	494,563	486,773
133,988	129,932			386,264	366,500	365,408
2,470,511	2,393,692	(1,771,697)	(1,778,787)	4,490,330	4,365,312	4,196,499
87,103	158,627			290,525	452,236	571,023
(156,725)	(155,169)			(388,517)	(376,516)	(379,014)
(14,094)	(23,517)			(34,783)	(49,222)	(41,962)
	38			75,561	64,795	63,275
(25,172)	(44,315)			(27,574)	(76,170)	(94,706)
	633				19,995	
108,888	55,286			84,788	(17,560)	(9,490)
69,622	(11,875)			97,992	(58,162)	(82,883)
	(8,417)				17,558	109,126

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2013	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	185,316	65,583
Other revenues		
Developers contributions	3,842	27,720
Other	9,955	5,948
	<u>199,113</u>	<u>99,251</u>
Acquisition of capital assets		
General administration	63,433	23,124
Public security	375	1,157
Transportation	333,376	197,142
Environmental hygiene	122,540	71,962
Health and welfare		
Urban planning and development	115,702	36,015
Recreation and culture	176,055	164,287
	<u>811,481</u>	<u>493,687</u>
Deficit before financing and allocations	<u>(612,368)</u>	<u>(394,436)</u>
Financing		
Long-term financing of capital asset activities	<u>546,140</u>	<u>311,283</u>
Allocations		
Operating activities	20,689	25,705
Restricted operating surplus		18,646
Financial reserves and reserved funds (2)	45,539	8,113
Use of the sinking fund		126,638
	<u>66,228</u>	<u>179,102</u>
Surplus (deficit) of capital asset activities for tax purposes for the year	<u><u></u></u>	<u><u>95,949</u></u>

(1) The revenues include transfers of \$18.0million (\$23.1 million in 2012) 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 gas tax and Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ)

(2) The allocation of \$39.1 million (\$22.5 million in 2012) presented in agglomeration responsibilities includes an amount of \$2.7 million (\$3.1 million in 2012) from local responsibilities.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013				2012
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
210,987	37,925	396,303	103,508	173,720
	7	3,842	27,727	26,865
1,379	942	11,334	6,890	12,854
212,366	38,874	411,479	138,125	213,439
33,501	18,180	96,934	41,304	53,576
81,319	53,852	81,694	55,009	25,079
89,491	25,747	422,867	222,889	255,689
348,835	105,502	471,375	177,464	243,591
	654		654	770
34,287	1,359	149,989	37,374	41,364
108,752	31,832	284,807	196,119	215,400
696,185	237,126	1,507,666	730,813	835,469
(483,819)	(198,252)	(1,096,187)	(592,688)	(622,030)
343,672	94,628	889,812	405,911	194,834
14,094	23,517	34,783	49,222	41,962
	(62)		18,584	11,750
126,053	39,147	171,592	47,260	35,771
	63,867		190,505	
140,147	126,469	206,375	305,571	89,483
	22,845		118,794	(337,713)

Financial Information of the Municipal Administration (continued)

As at December 31, 2013

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2013		Total
	Local responsibilities	Urban agglomeration responsibilities	
Accumulated surplus			
Unrestricted operating surplus	28,800	10,176	38,976
Restricted operating surplus	213,141	918	214,059
Financial reserves and reserved funds	121,567	180,320	301,887
Deficit of capital asset activities	(120,872)	(114,913)	(235,785)
Recognized expenditures to be taxed or funded	(1,339,906)	383,607	(956,299)
Net investment in capital assets			4,500,037
			<u>3,862,875</u>
Breakdown of different items			
Allocated operating surplus			
Restricted surplus - Boroughs	142,974		142,974
Restricted surplus - Special projects	38,360	855	39,215
Restricted surplus - Other purposes	31,807	63	31,870
	<u>213,141</u>	<u>918</u>	<u>214,059</u>
Financial reserves and reserved funds			
Financial reserves			
Water	74,200	169,723	243,923
Road network	23,268	10,597	33,865
	<u>97,468</u>	<u>180,320</u>	<u>277,788</u>
Reserved funds			
Parks and playing fields	12,202		12,202
Working capital	2,254		2,254
Balance of closed-loan by-laws	1,830		1,830
Parking areas	4,745		4,745
Other	3,068		3,068
	<u>24,099</u>		<u>24,099</u>
	<u>121,567</u>	<u>180,320</u>	<u>301,887</u>
Recognized expenditures to be taxed or funded			
Transitional measures of January 1, 2000			
Employee benefits		(10,490)	(10,490)
Employee future benefits			
Pension plan	(153,004)	437,590	284,586
Other plans	(96,320)	(9,914)	(106,234)
	<u>(249,324)</u>	<u>427,676</u>	<u>178,352</u>
Long-term financing of operating activities	(1,090,582)	(33,579)	(1,124,161)
	<u>(1,339,906)</u>	<u>383,607</u>	<u>(956,299)</u>

Financial Information of the Municipal Administration (continued)

As at December 31, 2013

(in thousands of dollars)

	2012		Total
	Local responsibilities	Urban agglomeration responsibilities	
Accumulated surplus			
Unrestricted operating surplus	83,545	19,367	102,912
Restricted operating surplus	215,397	119	215,516
Financial reserves and reserved funds	101,008	172,398	273,406
Deficit of capital asset activities	(216,820)	(137,759)	(354,579)
Recognized expenditures to be taxed or funded	(1,412,894)	439,035	(973,859)
Net investment in capital assets			4,568,754
			<u>3,832,150</u>
Breakdown of different items			
Allocated operating surplus			
Restricted surplus - Boroughs	152,693		152,693
Restricted surplus - Specific projects	39,861	56	39,917
Restricted surplus - Other purposes	22,843	63	22,906
	<u>215,397</u>	<u>119</u>	<u>215,516</u>
Financial reserves and reserved funds			
Financial reserves			
Water	62,692	160,901	223,593
Road network	15,030	11,497	26,527
	<u>77,722</u>	<u>172,398</u>	<u>250,120</u>
Reserved funds			
Parks and playing fields	10,333		10,333
Working capital	3,002		3,002
Balance of closed-loan by-laws	2,258		2,258
Parking areas	4,596		4,596
Other	3,097		3,097
	<u>23,286</u>		<u>23,286</u>
	<u>101,008</u>	<u>172,398</u>	<u>273,406</u>
Recognized expenditures to be taxed or funded			
Transitional measures of January 1, 2000			
Employee benefits		(12,829)	(12,829)
Employee future benefits			
Pension plan	(186,322)	495,145	308,823
Other plans	(96,320)	(9,914)	(106,234)
	<u>(282,642)</u>	<u>485,231</u>	<u>202,589</u>
Long-term financing of operating activities	<u>(1,130,252)</u>	<u>(33,367)</u>	<u>(1,163,619)</u>
	<u>(1,412,894)</u>	<u>439,035</u>	<u>(973,859)</u>

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

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

	2013	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	9,897	9,846
Employees	747,520	779,496
Employer contributions		
Elected officials	3,527	3,787
Employees	400,572	368,260
Transportation and communication	29,195	29,668
Professionnal, technical and other services		
Professional fees	43,604	28,838
Purchase of technical services	210,533	214,724
Other	2,412	2,321
Leasing, maintenance and repairs		
Leasing	79,875	80,688
Maintenance and repairs	64,824	38,484
Durable goods		
Construction	3,090	4,865
Other durable goods	3,371	3,066
Non-durable goods		
Delivery of public services	45,607	43,674
Other non-durable goods	108,248	107,323
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	176,139	183,855
Government of Québec and its enterprises	27,076	29,834
Other third parties	47,751	22,260
Other financing expenses	1,310	619
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,750,965	1,751,442
Société de transport de Montréal		
Montréal Metropolitan Community	25,601	25,148
Reconstituted municipalities		
Other	6,199	5,186
Government organizations		
Agence métropolitaine de transport		
Other		
Other organizations	70,367	87,616
Other items		
Doubtful account or bad debts	6,325	10,761
Other	(72,492)	(81,354)
	<u>3,791,516</u>	<u>3,750,407</u>

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				9,897	9,846	9,376
842,864	831,866			1,590,384	1,611,362	1,565,438
				3,527	3,787	3,866
444,291	446,707			844,863	814,967	857,892
14,509	14,724			43,704	44,392	42,129
15,607	13,905		(44)	59,211	42,699	44,059
94,374	87,484	(645)	(3,485)	304,262	298,723	274,218
791	834			3,203	3,155	2,922
32,143	29,385	(12,122)	(12,164)	99,896	97,909	91,050
35,064	32,692	(7,943)	(11,504)	91,945	59,672	61,483
7,114	6,899			10,204	11,764	13,443
22	148	(22)	(148)	3,371	3,066	877
37,738	35,357			83,345	79,031	81,536
48,138	38,775			156,386	146,098	133,313
94,079	87,264			270,218	271,119	270,856
39,804	42,412			66,880	72,246	72,471
				47,751	22,260	21,466
105	256			1,415	875	615
		(1,750,965)	(1,751,442)			
406,100	412,222			406,100	412,222	375,652
4,399	4,321			30,000	29,469	29,517
						222
21,156	21,156			27,355	26,342	27,681
53,777	49,674			53,777	49,674	50,777
10,962	11,152			10,962	11,152	10,913
32,665	33,550			103,032	121,166	115,617
4,834	11,785			11,159	22,546	15,467
229,975	181,124			157,483	99,770	23,643
2,470,511	2,393,692	(1,771,697)	(1,778,787)	4,490,330	4,365,312	4,196,499



2013

**Municipal
Administration
Financial Reporting**

Water Management

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

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

	2013	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Water service		
Quota shares - Drinking water supply		
Quota shares - Water financial reserve		
Quota shares - TECQ Investment Financing		
Quota shares - Rates		
Wastewater fees and the sale of Charlemagne drinking water		107
Water tax service	324,068	325,967
Flat rate and meter fees	27,534	27,436
Other revenues from local sources	802	1,129
Transfers		4,767
	<u>352,404</u>	<u>359,406</u>
Expenditures		
Quota shares for financing urban agglomeration activities	209,474	209,952
Expenditures	99,894	96,990
	<u>309,368</u>	<u>306,942</u>
Surplus before financing and allocations	<u>43,036</u>	<u>52,464</u>
Financing		
Repayment of long-term debt (1)	32,970	32,447
Allocations		
Capital asset financial activities	(2,764)	(5,625)
Water financial reserve	(7,302)	(14,392)
	<u>(10,066)</u>	<u>(20,017)</u>
Operating surplus for tax purposes for the year	<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. It also includes, for the municipal administration, additional payments to the sinking fund to reduce the long-term financing related to the acquisition of capital assets and to certain operating expenditures. 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, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
106,482	106,482	(86,519)	(86,519)	19,963	19,963	19,764
52,004	51,161	(47,879)	(47,491)	4,125	3,670	4,155
92,400	92,400	(75,076)	(75,076)	17,324	17,324	20,481
3,650	3,681			3,650	3,681	3,051
	952		(866)		86	
4,374	4,462			4,374	4,569	4,512
				324,068	325,967	321,535
				27,534	27,436	28,158
433	511			1,235	1,640	1,826
	16				4,783	10,700
259,343	259,665	(209,474)	(209,952)	402,273	409,119	414,182
		(209,474)	(209,952)			
175,478	162,103			275,372	259,093	245,629
175,478	162,103	(209,474)	(209,952)	275,372	259,093	245,629
83,865	97,562			126,901	150,026	168,553
43,849	41,901			76,819	74,348	75,008
(14,094)	(12,630)			(16,858)	(18,255)	(15,351)
(25,922)	(43,031)			(33,224)	(57,423)	(78,194)
(40,016)	(55,661)			(50,082)	(75,678)	(93,545)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

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

	2013	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Related municipalities		
Transfers	83,145	43,098
Other revenues		
	83,145	43,098
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	95,032	48,533
Buildings	50	(98)
	95,082	48,435
Deficit before financing and allocations	(11,937)	(5,337)
Financing		
Long-term financing of capital asset activities		(190)
Allocations		
Appropriations – Restricted surplus		
Operating activities	2,764	5,625
Water financial reserve (1)	9,173	900
	11,937	6,525
Surplus (deficit) of capital asset activities for tax purposes for the year		998

(1) The allocation of \$39.1 million (\$22.9 million in 2012) presented in agglomeration responsibilities includes an amount of \$2,7 million (\$3.1 million in 2012) from local responsibilities.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

				(in thousands of dollars)
2013				2012
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
	1,002		1,002	
157,563	35,584	240,708	78,682	134,069
				6
157,563	36,586	240,708	79,684	134,075
189,365	71,396	189,365	71,396	102,401
87,503	9,801	87,503	9,801	15,769
44,797	13,103	139,829	61,636	88,885
4,072	2,552	4,122	2,454	1,245
325,737	96,852	420,819	145,287	208,300
(168,174)	(60,266)	(180,111)	(65,603)	(74,225)
28,026	(5,528)	28,026	(5,718)	148
	(30)		(30)	
14,094	12,630	16,858	18,255	15,351
126,054	39,139	135,227	40,039	23,239
140,148	51,739	152,085	58,264	38,590
	(14,055)		(13,057)	(35,487)



2013

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 urban agglomeration responsibilities for the year ended December 31, 2013. This breakdown has been determined by management based on by-law RCG06-054 adopted by the Urban Agglomeration Council on December 13, 2006 and its subsequent changes (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 urban agglomeration responsibilities for the year ended December 31, 2013 was prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of the Ville de Montréal,



Jacques Bergeron, CPA auditor, CA

Montréal, March 24, 2014

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2013	
	Local responsibilities	
	Budget	Actual
Expenditures		
General administration	160,980	156,616
Transportation	5,605	5,721
Environmental hygiene	4,427	3,954
Health and welfare	1,794	1,404
Urban planning and development	29,384	22,947
Recreation and culture	5,343	5,125
Total expenditures	207,533	195,767

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2013

(in thousands of dollars)

2013						2012
Urban agglomeration responsibilities		Eliminations (1)		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
117,791	119,283	(103)	(208)	278,668	275,691	233,313
2,792	2,867			8,397	8,588	9,381
9,456	7,945			13,883	11,899	14,181
2,392	1,198			4,186	2,602	3,903
10,825	7,613			40,209	30,560	35,175
6,634	6,080			11,977	11,205	11,728
149,890	144,986	(103)	(208)	357,320	340,545	307,681

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes

December 31, 2013

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-law RCG06-054, adopted by the Urban Agglomeration Council on December 13, 2006 and its subsequent changes.

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, contingency expenditures and mixed general administrative 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 2013 was 7.01%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2013 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, 2013.

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

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