

# Annual Financial Report

Fiscal Year Ended  
December 31, 2018





**Annual Financial Report**  
Fiscal Year Ended December 31

2018

Deposited at the City Clerk's office of the  
Ville de Montréal on April 24, 2019



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Introduction

2018





# A WORD FROM THE MAYOR



Dear Montréalers,

It is with pride and a sense of accomplishment that we present you with our 2018 Annual Financial Report and Annual Financial Accountability Report.

These reports are of considerable importance, as they provide essential feedback on all that we have accomplished in 2018, the first full year of our administration.

They also reflect the vision that we proposed to Montréalers and report on what we have achieved in order to deliver the services to which our citizens are entitled.

From the outset, our administration clearly identified its priorities: economic development, the environment, housing, and mobility, all of which, when taken together, form the cornerstones of a city with a promising future.

For each of these priorities, we have taken concrete and effective actions. For example, last year we set up a mobility squad to improve the fluidity of city movement, and we have deployed a strategy to create 12,000 affordable social housing units such that families can find decent housing within their budgets.

To make Montréal a more green, eco-responsible city, we entered into major partnerships with the C40 Network, the Trottier Family Foundation, and the David Suzuki Foundation—partnerships that will help, through a pooling of resources, to develop a climate plan that will make Montréal a carbon neutral city.

Because, above all, we want to build a city that meets the aspirations of its citizens—and to do so while taking care of the future for the next generations.

Montréal's economy is in an exciting place. The growth outlook is excellent, and several indicators are on the rise.

2018 was a record year for foreign investment, which reached \$2.47 billion. Bolstering this robust investment was a strong employment market—essential conditions for the prosperity of Montréal.

Our city is an attractive one on many levels, and to take advantage of the favourable economic conditions, we wasted no time implementing conditions conducive to growth. Our launch of the *Montréal All Geared Up* economic development strategy is a powerful tool designed to stimulate economic vitality.

We will therefore continue working to support the lifeblood of our community and will step up efforts to offer services that satisfy the needs of our people.

In closing, I would like to draw attention to the dedication and outstanding work carried out by the municipal services and boroughs, who are committed, each and every day, to serving the people of Montréal.

I am confident that we are on the right track to continue building a city that is increasingly inclusive, prosperous, green and sustainable.

The Mayor of Montréal,

A stylized, handwritten signature in black ink, belonging to Valérie Plante.

Valérie Plante



# MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE COMMITTEE



Dear fellow citizens,

When we presented our administration's first budget in 2018, we shared not only our vision for building the Montréal of tomorrow but also the financial priorities we would adopt to realize that vision.

For 2018, our overall financial results speak for themselves. During this benchmark year, Ville de Montréal generated an operating surplus of \$212.7 million, a \$73.2 million increase from 2017. We also significantly reduced the agglomeration's deficit, which now stands at \$15.6 million, down \$70.5 million from last year.

The surpluses were notably generated by sound operational management by the boroughs, which led to a \$73.7 million surplus, as well as by the optimization efforts deployed by our various corporate units, which led to a \$139.0 million surplus.

In 2018, Montréal experienced robust real estate activity. This situation was reflected in Ville de Montréal's revenues, specifically in property transfer fees and permit revenues, which produced additional gains of \$106.4 million. Furthermore, stringent control of operating expenditures helped produce total savings of \$58.3 million.

Ville de Montréal's capital investments reached a record high of \$1,721.5 million, up 21.7% from last year. However, the actual cost of the debt chargeable to taxpayers stood at \$736.0 million, a \$26.0 million increase from 2017. To reduce the impacts of capital expenditures on debt, the administration continued its strategy of making upfront payments on capital investments in a total amount of \$454.3 million, a 20.4% increase from 2017.

We can be proud of the important work completed by the members of the Executive Committee and the various services of Ville de Montréal to deploy the administration's projects within a strict budget framework.

At year-end, we enthusiastically welcomed a proposal by our new city manager to modify the organizational structure of the city's central services. This new structure appears better adapted to our priorities, including the pressing challenges associated with climate change. It is now understood that climate change will influence both our practices and our budgets in the years ahead, particularly with respect to citizen services.

In 2018, snow and ice removal costs stood at \$192.0 million, rising 5.5% when compared to 2017. This increase was due to the city's harsh winter, characterized by frigid temperatures and 230.4 centimetres of accumulated precipitation, combined with an increase in certain other expenses and a greater application of abrasives.

Ville de Montréal was also called upon to financially participate in some major projects, including those of the Autorité régionale de transport métropolitain, for which it paid a total amount of \$551.5 million, close to 10% of its total budget.

Let's look at some of the achievements made in the strategy to develop 12,000 affordable social housing units: financial support for special affordable housing projects and a substantial increase to the subsidy for buying a first property.

These excellent results would not have been achieved without the work of every Ville de Montréal employee, who, each and every day, spare no effort to deliver services to our citizens. I would like to thank them for their valuable contributions to these conclusive results.

Chairman of the Executive Committee,



Benoit Dorais

# MESSAGE FROM THE CITY MANAGER



Ladies,  
Gentlemen,

It's in a spirit of transparency and financial accessibility that I present to you, for the very first time as City Manager of Ville de Montréal, the 2018 Annual Financial Report and Annual Financial Accountability Report.

Both of these documents are the result of a rigorous financial information sharing process by all of the city's business units, boroughs, and central services. I would like to thank everyone for their contributions large and small to this process. I would also like to thank all of the city's employees for the work they do every day to serve our citizens.

I am proud of the work we have accomplished this past year. I am especially confident about the future of our city; it is a promising one that will be achieved by an ever-increasing engagement of municipal employees serving the population of Montréal. For this reason I have placed employee engagement at the top of my list of organizational priorities for 2019.

The year 2018 was highlighted by major achievements and significant milestones. I am notably thinking about the signing of sectoral agreements with the Quebec government, which fall within the Réflexe Montréal framework and are designed to give the city greater flexibility in several areas of municipal involvement.

I am also thinking of last June's launch of *Montréal's Resilient City Strategy*—a first in Canada. This strategy calls for a set of concrete actions and steps over the next five years and will help the city and its partners to better and more effectively deal with climate change. It's within this outlook of sustainable urban development that I have made the ecological transition one of my key organizational priorities.

In late August, Ville de Montréal hosted the first ever *Summit of First Nations and Municipalities on Reconciliation*. The purpose of this historic event was to forge relationships by engaging in constructive dialogue aimed at reconciliation and by encouraging networking and collaboration between governments and First Nations communities. With this in mind, I have committed to actively implementing a culture that values diversity and inclusion within Ville de Montréal.

In closing, the year 2018 ended with a reorganization of Ville de Montréal's administrative structure. This reorganization will improve the coherence, collaboration and efficiency of the administrative units. A strategic alignment exercise, which will be open to the public and city staff in 2019, will help us to develop a clear and strong vision of our city for 2030. Our actions will be even more promising and consistent with the aspirations of our citizens.

City Manager,

A handwritten signature in blue ink, reading "Serge Lamontagne". The signature is stylized and fluid.

Serge Lamontagne

# MESSAGE FROM THE TREASURER

Ladies,  
Gentlemen,

Ville de Montréal has unveiled its 2018 annual financial report. This report consists of two parts: a consolidated version of the city's financial information and an analysis of the administration's financial information. This second part excludes the organizations included in Ville de Montréal's reporting entity.

Ville de Montréal's 2018 fiscal year shows a non-consolidated operating surplus for tax purposes of \$212.7 million. Sound management of public funds, prudent and responsible management of the city's debt, and compliance with the fiscal 2018 financial outlook all contributed positively to these results.

The \$212.7 million surplus was driven mainly by revenues exceeding the previously submitted operating budget. This surplus consists of the following: a \$228.3 million operating surplus for tax purposes from local responsibilities (\$225.7 million surplus in 2017) and a \$15.6 million operating deficit for tax purposes from urban agglomeration responsibilities (\$86.2 million deficit in 2017). With respect to the boroughs, their management surplus stood at \$73.7 million compared to \$52.3 million in 2017.

The municipal administration's total revenues amounted to \$5,482.1 million, up \$114.6 million (2.1%) from the 2018 operating budget. The increase was due, among other factors, to a strong real estate market that alone generated \$69.8 million in additional revenues through property transfer fees and through the issuance of building permits in an amount of \$36.6 million. Favourable economic activity and interest income also contributed \$160.8 million, i.e., a variance of \$12.0 million from that set out in the 2018 budget. However, this increase was tempered by changes in tax revenue, in particular a \$17.6 million change in fines and penalties.

The city's operating expenditures, financing expenses, and allocation expenditures stood at \$5,269.4 million, which is \$98.1 million (1.8%) less than that set out in the 2018 operating budget. This decrease stems mainly from savings of \$58.3 million in operating expenditures, of \$4.6 million in long-term debt repayment, and of \$35.1 million in additional allocations arising mainly from surpluses accumulated in previous years. With respect to operating expenditures, the \$58.3 million in savings came mainly from savings of \$36.5 million in professional and technical services, of \$33.1 million in leasing, maintenance and repair costs, of \$10.1 million in financing expenses, and of \$34.2 million in contribution expenses. These savings were, however, partly offset by increases of \$34.8 million in remuneration and benefits costs and of \$17.1 million in durable goods.

It should be noted that the professionalism of the city's employees, who work daily to provide municipal services, helped to achieve these results.

Treasurer of Ville de Montréal,



Yves Courchesne, CPA, CGA

# Introduction – Financial Information of the Municipal Administration

## Fiscal Year Ended December 31, 2018

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY (in thousands of dollars)

	2018						2017	
	Local responsibilities			Urban agglomeration responsibilities			Total	
	Budget	Actual	Budget	Budget	Actual	Budget	Budget	Actual
<b>Revenues</b>								
Taxes	3,423,699	3,433,199	48,720		48,879		3,472,419	3,482,078
Payments in lieu of taxes	270,943	264,417					270,943	264,417
Quota shares			2,395,343		2,392,611	(1,977,444)	417,899	418,105
Transfers	181,616	191,102	110,823		91,966		292,439	350,702
Services rendered	255,333	256,933	59,000		60,047	(1,466)	312,867	314,394
Fee collection	210,565	317,010	1,969		1,963		212,534	265,882
Fines and penalties	100,132	103,096	106,496		85,937		206,628	189,033
Interest	77,773	88,342	70,979		72,460		148,752	172,814
Other revenues	30,069	35,338	2,945		16,807		33,014	43,131
	4,550,130	4,689,437	2,796,275		2,770,670	(1,978,910)	5,367,495	5,482,131
<b>Operating expenditures</b>								
General administration	476,533	396,003	350,476		278,729	(211)	826,798	766,300
Public security	8,368	12,848	1,015,202		1,065,162	(629)	1,022,941	1,100,761
Transportation	415,758	443,575	598,293		573,573	(84)	1,013,967	1,010,174
Environmental hygiene	205,676	227,902	217,732		239,584	(221)	423,187	466,652
Health and welfare	66,482	64,579	38,630		30,412		105,112	89,913
Urban planning and development	136,580	128,359	77,857		72,630	(293)	214,144	209,238
Recreation and culture	474,953	489,443	94,300		107,819	(28)	569,225	615,355
Financing expenses	267,601	264,452	139,685		132,713		407,286	389,789
	2,051,951	2,027,161	2,532,175		2,500,622	(1,466)	4,582,660	4,588,190
<b>Quota shares for financing</b>								
urban agglomeration activities	1,977,444	1,974,506				(1,977,444)		
<b>Operating surplus before financing and allocations</b>	520,735	687,770	264,100		270,048		784,835	957,818
<b>Financing</b>								
Repayment of long-term debt	(313,731)	(313,000)	(164,642)		(160,756)		(478,373)	(473,756)
<b>Allocations</b>								
Capital asset activities		(11,279)			(6,425)			(9,487)
Restricted operating surplus	67,287	117,957			23		67,287	141,995
Financial reserves and reserved funds	(233,416)	(233,093)	(120,468)		(121,393)		(353,884)	(324,128)
Recognized expenditures to be taxed or funded	(40,875)	(20,021)	21,010		2,863		(19,865)	90,968
	(207,004)	(146,436)	(99,458)		(124,932)		(306,462)	(100,652)
<b>Operating surplus (deficit) for tax purposes for the year</b>		228,334			(15,640)			212,694
								139,510





# The Island of Montréal and its Population



## The 19 boroughs of Montréal

## The 15 other related municipalities

Montréal total population: 1,757,366

**Total population of the Island of Montréal: 1,999,883**



# The Municipal Organization 2018

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.

Following the adoption of the *Act to amend various legislative provisions concerning municipal affairs* (Bill 120), as of January, 2017, Ville de Montréal assumes the repayment of loans contracted by the urban agglomeration council of Montréal to finance expenditures incurred in the exercise of the urban agglomeration power relating to the development and redevelopment of public lands in the urban agglomeration sector designated as the downtown area.

Following the adoption of Bill n°121: *An Act to increase the autonomy and powers of Ville de Montréal, the metropolis of Québec*, the act that amended the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, vehicle servicing, towing and impounding are now under urban agglomeration jurisdiction.

## **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 her 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 87.8% and the 15 reconstituted municipalities have 12.2%.

## **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 operating deficit of the Space for Life
- 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

Consolidated  
Financial  
Information

2018



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## 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 eight members, two of which are members of the council representing the reconstituted municipalities and three 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 LLP, have audited the consolidated financial statements and presented the following reports.



Yves Courchesne  
Treasurer of Ville de Montréal



Serge Lamontagne  
Acting City Manager

April 11, 2019

## **INDEPENDENT AUDITORS' 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 Montreal Agglomeration Council

### **Opinion**

We have audited the consolidated financial statements of Ville de Montréal (the « City »), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, notes and explanatory information to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the « financial statements »).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations, the changes in its net debt and its cash flows for the year the ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards (« CGAAS ») of Canada. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter-Financial Information Presented for Tax Purpose**

We draw attention to the fact that the City includes in its financial statements certain financial information which is not required under Canadian public sector accounting standards prepared for tax purposes in its financial statements. This information is presented in Note 14 of the financial statements. Management has decided to present this information, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out. Our opinion is not modified in respect of this matter.

### **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, include in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibilities is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.



We obtained the Annual Financial Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with CGAAS of Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue its operations. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease its operations.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities and activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Michèle Galipeau, CPA auditor, CA*

*Deloitte LLP<sup>1</sup>*

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Michèle Galipeau, CPA auditor, CA  
Auditor General of the Ville de Montréal

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

Montréal  
April 11, 2019

# Consolidated Statement of Financial Position

As at December 31, 2018

(in thousands of dollars)

	Notes	2018	2017
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	4	563,290	279,630
Investments	4	2,880,376	3,074,119
Accounts receivable	5	4,773,083	4,205,775
Assets held for sale		1,592	5,491
Loans receivable	6	37,587	32,830
		8,255,928	7,597,845
<b>LIABILITIES</b>			
Temporary loans	7	456,280	638,299
Accounts payable, provisions and accrued liabilities	8	2,024,366	1,833,979
Deferred revenues	9	318,613	162,831
Long-term debt	10	12,342,217	11,277,665
Employee future benefits liability	11	316,864	458,916
		15,458,340	14,371,690
<b>NET DEBT</b>		(7,202,412)	(6,773,845)
<b>NON-FINANCIAL ASSETS</b>			
Capital assets	12	16,606,212	14,724,486
Assets held for sale		133,716	130,583
Inventories		92,911	85,582
Other non-financial assets	13	161,278	268,587
		16,994,117	15,209,238
<b>ACCUMULATED SURPLUS</b>	14	9,791,705	8,435,393
Contractual rights and obligations	18		
Contingent assets	19		
Contingent liabilities	20		
Subsequent event	21		

The accompanying schedules, notes and tables are an integral part of the consolidated financial statements.

# Consolidated Statement of Operations

Fiscal Year Ended December 31, 2018

(in thousands of dollars)			
	Notes	2018	2017
		Consolidated budget (1)	Actual
<b>Revenues</b>			<b>Actual</b>
Taxes		3,451,983	3,460,181
Payments in lieu of taxes		270,943	264,417
Quota shares		417,899	418,105
Transfers	15	1,315,154	1,506,828
Services rendered		1,728,658	1,725,422
Fee collection		212,534	318,973
Fines and penalties		206,628	189,033
Interest	16	138,388	144,364
Other revenues		135,166	121,294
		7,877,353	8,148,617
<b>Expenditures</b>			
General administration		832,407	678,195
Public security		1,062,034	1,105,533
Transportation		2,760,950	2,642,669
Environmental hygiene		657,376	688,239
Health and welfare		159,993	149,178
Urban planning and development		252,592	244,862
Recreation and culture		716,846	782,920
Financing expenses		514,902	500,709
		6,957,100	6,792,305
<b>Surplus for the year</b>		<u>920,253</u>	1,356,312
<b>Accumulated surplus at beginning of year</b>			8,435,393
<b>Accumulated surplus at end of year</b>			9,791,705

<sup>1</sup> Budget data information is provided in Note 2aa.

The accompanying schedules, notes and tables are an integral part of the consolidated financial statements.

# Consolidated Statement of the Change in Net Debt

Fiscal Year Ended December 31, 2018

<i>(in thousands of dollars)</i>			
<i>Notes</i>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	<b>Consolidated budget (1)</b>	<b>Actual</b>	<b>Actual</b>
<b>Surplus for the year</b>	920,253	<b>1,356,312</b>	875,710
Change in capital assets			
Acquisition <i>12</i>	(3,106,140)	<b>(2,911,897)</b>	(2,523,071)
Proceeds from sale	4,660	<b>29,925</b>	32,196
Amortization <i>12</i>	973,587	<b>1,016,695</b>	937,965
Gain on sale	(4,660)	<b>(16,449)</b>	(21,798)
	(2,132,553)	<b>(1,881,726)</b>	(1,574,708)
Change in assets held for sale		<b>(3,133)</b>	(68,203)
Change in inventories		<b>(7,329)</b>	(8,872)
Change in other non-financial assets		<b>107,309</b>	154,155
		<b>96,847</b>	77,080
<b>Change in net debt</b>	(1,212,300)	<b>(428,567)</b>	(621,918)
<b>Net debt at beginning of year</b>	(6,773,845)	<b>(6,773,845)</b>	(6,151,927)
<b>Net debt at end of year</b>	(7,986,145)	<b>(7,202,412)</b>	(6,773,845)

<sup>1</sup> Budget data information is provided in Note 2aa.

The accompanying schedules, notes and tables are an integral part of the consolidated financial statements.

# Consolidated Statement of Cash Flows

Fiscal Year Ended December 31, 2018

(in thousands of dollars)			
	Note	2018	2017
<b>Operating activities</b>			
Surplus for the year		1,356,312	875,710
Items not affecting cash			
Amortization of capital assets	12	1,016,695	937,965
Gain on sale of capital assets		(16,449)	(21,798)
		2,356,558	1,791,877
Change in non-cash items			
Accounts receivable		(567,308)	(542,663)
Assets held for sale		766	(60,176)
Loans receivable		(4,757)	(3,700)
Accounts payables, provisions, and accrued liabilities (1)		94,208	10,509
Deferred revenues		155,782	(55,689)
Employee future benefits liability		(142,052)	48,101
Inventories		(7,329)	(8,872)
Other non-financial assets		107,309	154,155
		1,993,177	1,333,542
<b>Capital investing activities</b>			
Acquisition of capital assets (1)		(2,815,718)	(2,447,833)
Proceeds from sale of capital assets		29,925	32,196
		(2,785,793)	(2,415,637)
<b>Other investing activities</b>			
Acquisition of investments		(562,448)	(569,173)
Proceeds from sale of investments		756,191	969,461
		193,743	400,288
<b>Financing activities</b>			
Proceeds from long-term debt		2,110,169	1,403,129
Repayment of long-term debt, net of refinancings		(847,473)	(928,049)
Bond redemption by refinancing		(198,144)	(89,167)
Net change in temporary loans		(182,019)	260,172
		882,533	646,085
<b>Increase (Decrease) in cash and cash equivalents</b>			
<b>Cash and cash equivalents at beginning of year</b>		<b>279,630</b>	<b>315,352</b>
<b>Cash and cash equivalents at end of year</b>		<b>563,290</b>	<b>279,630</b>

<sup>1</sup> The cost of unpaid capital assets is \$606.1 million as at December 31, 2018 (\$509.9 million in 2017). The change in this cost between 2018 and 2017 is subtracted from accounts payable, provisions and accrued liabilities as well as from acquisitions since there is no impact on cash flows.

The accompanying schedules, notes and tables are an integral part of the consolidated financial statements.

**Segment Disclosures**  
As at December 31, 2018

**SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION**

(in thousands of dollars)

	<b>2018</b>				<b>2017</b>
	<b>Municipal administration</b>	<b>Controlled organizations</b>	<b>Eliminations</b>	<b>Total</b>	<b>Total</b>
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	480,333	82,957		<b>563,290</b>	279,630
Investments	2,265,385	614,991		<b>2,880,376</b>	3,074,119
Accounts receivable	2,925,473	2,860,018	(1,012,408)	<b>4,773,083</b>	4,205,775
Assets held for sale	1,592			<b>1,592</b>	5,491
Loans receivable	37,386	828	(627)	<b>37,587</b>	32,830
	<b>5,710,169</b>	<b>3,558,794</b>	<b>(1,013,035)</b>	<b>8,255,928</b>	<b>7,597,845</b>
<b>LIABILITIES</b>					
Temporary loans		456,280		<b>456,280</b>	638,299
Accounts payable, provisions and accrued liabilities	1,668,213	443,768	(87,615)	<b>2,024,366</b>	1,833,979
Deferred revenues	311,275	19,338	(12,000)	<b>318,613</b>	162,831
Long-term debt	9,221,042	4,046,595	(925,420)	<b>12,342,217</b>	11,277,665
Employee future benefits liability	304,546	12,318		<b>316,864</b>	458,916
	<b>11,505,076</b>	<b>4,978,299</b>	<b>(1,025,035)</b>	<b>15,458,340</b>	<b>14,371,690</b>
<b>NET DEBT</b>	<b>(5,794,907)</b>	<b>(1,419,505)</b>	<b>12,000</b>	<b>(7,202,412)</b>	<b>(6,773,845)</b>
<b>NON-FINANCIAL ASSETS</b>					
Capital assets	10,868,497	5,737,715		<b>16,606,212</b>	14,724,486
Assets held for sale	120,839	12,877		<b>133,716</b>	130,583
Inventories	50,276	42,635		<b>92,911</b>	85,582
Other non-financial assets	50,044	123,234	(12,000)	<b>161,278</b>	268,587
	<b>11,089,656</b>	<b>5,916,461</b>	<b>(12,000)</b>	<b>16,994,117</b>	<b>15,209,238</b>
<b>ACCUMULATED SURPLUS</b>					
Unrestricted operating surplus (deficit)	215,822	(3,897)		<b>211,925</b>	230,970
Restricted operating surplus	377,047	65,503		<b>442,550</b>	347,451
Financial reserves and reserved funds	82,643	156,654		<b>239,297</b>	169,336
Deficit from capital asset activities	(251,026)	(302,928)	(34,267)	<b>(588,221)</b>	(604,284)
Recognized expenditures to be taxed or funded	(1,184,066)	(109,975)	61,263	<b>(1,232,778)</b>	(1,249,893)
Net investment in capital assets	6,054,329	4,691,599	(26,996)	<b>10,718,932</b>	9,541,813
	<b>5,294,749</b>	<b>4,496,956</b>		<b>9,791,705</b>	<b>8,435,393</b>

## Segment Disclosures

Fiscal Year Ended December 31, 2018

### SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION

(in thousands of dollars)

	2018				2017
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Revenues</b>					
<b>Operating</b>					
Taxes	3,482,078		(21,897)	3,460,181	3,322,152
Payments in lieu of taxes	264,417			264,417	260,024
Quota shares	418,105			418,105	397,247
Transfers	283,068	136,948	(49,796)	370,220	565,829
Services rendered	313,510	1,502,972	(91,060)	1,725,422	1,068,890
Fee collection	318,973			318,973	265,882
Fines and penalties	189,033			189,033	172,814
Interest	160,802	11,259	(27,697)	144,364	138,084
Other revenues	46,420	55,754	(2,000)	100,174	112,832
	5,476,406	1,706,933	(192,450)	6,990,889	6,303,754
<b>Capital Assets</b>					
Transfers	191,429	945,179		1,136,608	930,870
Developers' contributions	7,386			7,386	1,558
Other revenues	7,752	5,982		13,734	6,790
	206,567	951,161		1,157,728	939,218
	5,682,973	2,658,094	(192,450)	8,148,617	7,242,972
<b>Expenditures</b>					
General administration	688,166		(9,971)	678,195	771,379
Public security	1,105,533			1,105,533	1,137,711
Transportation	1,281,919	1,462,209	(101,459)	2,642,669	2,202,791
Environmental hygiene	689,056		(817)	688,239	627,979
Health and welfare	96,557	64,563	(11,942)	149,178	136,835
Urban planning and development	240,417	11,523	(7,078)	244,862	246,736
Recreation and culture	752,348	64,058	(33,486)	782,920	754,303
Financing expenses	397,165	131,241	(27,697)	500,709	489,528
	5,251,161	1,733,594	(192,450)	6,792,305	6,367,262
<b>Surplus for the year</b>	431,812	924,500		1,356,312	875,710



## Segment Disclosures

Fiscal Year Ended December 31, 2018

### SCHEDULE 3 – CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2018				2017
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total
<b>Surplus for the year</b>	920,253	431,812	924,500		<b>1,356,312</b>
Less: revenues from capital asset activities	(967,731)	(206,567)	(951,161)		<b>(1,157,728)</b>
<b>Operating surplus (deficit) before reconciliation for tax purposes for the year</b>	(47,478)	225,245	(26,661)		<b>198,584</b>
<b>Reconciliation for tax purposes</b>					
<b>Capital assets</b>					
Proceeds from sale	4,660	29,863	62		<b>29,925</b>
Amortization	973,587	726,848	289,847		<b>1,016,695</b>
(Gain) loss on sale	(4,660)	(24,138)	7,689		<b>(16,449)</b>
	973,587	732,573	297,598		<b>1,030,171</b>
<b>Financing</b>					
Repayment of long-term debt	(572,904)	(473,756)	(81,430)	(181)	<b>(555,367)</b>
<b>Allocations (Note 14)</b>					
Capital asset activities	(50,250)	(17,704)	(42,554)		<b>(60,258)</b>
Restricted operating surplus	67,287	117,980			<b>117,980</b>
Financial reserves and reserved funds	(353,884)	(354,486)	(142,270)		<b>(496,756)</b>
Recognized expenditures to be taxed or funded	(25,883)	(17,158)	(13,545)	181	<b>(30,522)</b>
	(362,730)	(271,368)	(198,369)	181	<b>(469,556)</b>
<b>Operating surplus (deficit) for tax purposes for the year</b>	(9,525)	212,694	(8,862)		<b>203,832</b>

## Segment Disclosures

Fiscal Year Ended December 31, 2018

### SCHEDULE 4 – CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

		2018			2017
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total
Revenues from capital asset activities	967,731	206,567	951,161		1,157,728
Reconciliation for tax purposes					
Capital assets					
Acquisition					
General administration	(147,000)	(103,581)			(103,581)
Public security	(61,100)	(58,918)			(58,918)
Transportation	(1,667,740)	(537,582)	(1,137,852)		(1,675,434)
Environmental hygiene	(594,100)	(513,545)			(513,545)
Health and welfare	(75,000)	(25,892)	(52,523)		(78,415)
Urban planning and development	(96,900)	(66,845)	(6)		(66,851)
Recreation and culture	(464,300)	(415,138)	(15)		(415,153)
	(3,106,140)	(1,721,501)	(1,190,396)		(2,911,897)
Financing					
Long-term financing of capital asset activities	1,697,459	918,781	314,197	26,996	1,259,974
Allocations (Note 14)					
Operating activities	50,250	17,704	42,554		60,258
Restricted operating surplus		10,150			10,150
Financial reserves and reserved funds	390,700	426,443			426,443
	440,950	454,297	42,554		496,851
Surplus (Deficit) from capital asset activities for tax purposes for the year					
		(141,856)	117,516	26,996	2,656

# Segment Disclosures

## Fiscal Year Ended December 31, 2018

### SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION

(in thousands of dollars)

	2018				2017
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Remuneration</b>					
Elected officials	9,845	200		<b>10,045</b>	10,676
Employees	1,774,830	739,914	(8,499)	<b>2,506,245</b>	2,481,031
<b>Benefits costs</b>					
Elected officials	4,907	36		<b>4,943</b>	4,766
Employees	575,752	86,619		<b>662,371</b>	837,401
<b>Transportation and communication</b>	34,933	158,630		<b>193,563</b>	194,962
<b>Professional, technical and other services</b>					
Professional fees	57,822	21,257		<b>79,079</b>	83,456
Purchase of technical services	332,248	45,004	(16,468)	<b>360,784</b>	346,004
Other	4,830	18,774		<b>23,604</b>	23,429
<b>Leasing, maintenance and repair</b>					
Leasing	92,756	18,376	(19,855)	<b>91,277</b>	90,256
Maintenance and repair	78,386	39,605	(28)	<b>117,963</b>	109,561
<b>Durable goods</b>					
Construction	24,134			<b>24,134</b>	17,550
Other durable goods	7,929	49		<b>7,978</b>	3,922
<b>Non-durable goods</b>					
Delivery of public services	84,125	15,562	(4,560)	<b>95,127</b>	93,471
Other non-durable goods	154,837	80,577	(6,265)	<b>229,149</b>	218,739
<b>Financing expenses</b>					
Interest and other charges on long-term debt borne by:					
The municipality	304,529	38,215		<b>342,744</b>	331,633
Government of Québec and its enterprises	44,913	85,523		<b>130,436</b>	129,212
Other third parties	46,679		(27,697)	<b>18,982</b>	23,179
Other financing expenses	1,044	7,503		<b>8,547</b>	5,504
<b>Contributions to organizations</b>					
Municipal organizations					
Quota shares - Communauté métropolitaine de Montréal	39,328			<b>39,328</b>	39,113
Quota shares - Autorité régionale de transport métropolitain	551,450			<b>551,450</b>	37,536
Other	49,176		(48,966)	<b>210</b>	1,385
Government organizations					
Agence métropolitaine de transport					26,020
Other	15,492			<b>15,492</b>	30,583
Other organizations	136,630	14,892	(830)	<b>150,692</b>	200,149
<b>Amortization of capital assets</b>	726,848	289,847		<b>1,016,695</b>	937,965
<b>Other items</b>					
Doubtful accounts or bad debts	23,464	214		<b>23,678</b>	39,444
Other	74,274	72,797	(59,282)	<b>87,789</b>	50,315
	<b>5,251,161</b>	<b>1,733,594</b>	<b>(192,450)</b>	<b>6,792,305</b>	<b>6,367,262</b>



## **1. GOVERNING STATUTE**

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of Ville de Montréal*, metropolis of Québec (Charter of the City of Montréal). (CQLR, 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, L'Île-Dorval, Montréal-Est, Montréal-Ouest, 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 88% 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* (CQLR, 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 *Charter of Ville de 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.

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## **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 municipal administration 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 SHDM), the Technoparc Montréal, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Office de consultation publique de Montréal, Anjou 80, the Société en commandite Stationnement de Montréal, the Bureau du taxi de Montréal and BIXI Montréal. Transactions concluded between these organizations and reciprocal balances are eliminated.

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **b) 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, contractual rights and obligations as well as contingent assets and liabilities. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts on accounts receivable, 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, environmental liability, contested valuations and legal claims, revenues related to services rendered by the STM to the Autorité régionale de transport métropolitain (the ARTM) and actuarial assumptions for establishing employee future benefits liability and expenditures.

### **c) Cash and cash equivalents**

Cash and cash equivalents consist of cash and highly liquid investments that expire within three months of the acquisition date.

### **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.

### **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 receivable**

Loans are presented at the lower of cost and net recoverable value. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. This is recognized in the Consolidated Statement of Operations for the year in which the loan is granted. The discount is amortized over the term of the loan using the effective rate 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*.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **h) Deferred revenues**

Premiums on the issuance of securities are amortized on a straight-line basis over the term of the related loans. The amounts collected for the acquisition and development of parks and playing fields and for Social housing development fund are recognized in the Consolidated Statement of Operations upon the acquisition of properties for these purposes or when the related work is carried out.

### **i) Non-financial assets**

The City records capital assets and certain assets as non-financial assets since they can usually be used to provide services in subsequent years. These assets do not 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	20 to 100 years
Metro cars	40 and 60 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 determined, it is estimated.

When a capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is expensed to the Consolidated Statement of Operations in the period in which impairment is determined. No write-down is subsequently reversed.

### **k) Inventories**

Inventories are recorded at lower of cost, which is determined using the average cost method, and replacement value. 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **m) Tax revenues and payments 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 Consolidated Statement of Operations in the year in which they are due. Revenues from the tax on registered vehicles are recognized over a 12-month period from the date they are received.

### **n) Quota shares**

The municipal administration's expenditures relating to agglomeration responsibilities are shared among the related municipalities by way of quota shares. These quota shares are reported as revenue in the Consolidated Statement of Operations for the year in which they are due.

### **o) Transfer revenues**

Transfer revenues are recognized in the Consolidated Statement of Operations in the year during which they were authorized by the transferor and in which any eligibility criteria are met, if any, unless the transfer stipulations give rise to an obligation that meets the definition of a liability. In such cases, the transfer is recorded under Deferred revenues and is amortized as the stipulations are respected.

Given the transferring governments' payment history, the City considers that transfer revenues are authorized by those governments when the underlying agreements are signed.

### **p) Services rendered**

Services rendered include STM's compensation provided by the ARTM in respect of public transit services. Under the terms and conditions of the agreement between the parties expiring on December 31, 2019, these revenues are recognized in the Consolidated Statement of Operations based on the amounts agreed upon by the two organizations.

Revenues from other services are recognized when the services are rendered, give rise to a claim and collection is reasonably assured.

### **q) Revenues from fee collection, fines and penalties, interest and other revenues**

Revenues from fee collection, fines and penalties, interest and other revenues are recognized in the Consolidated Statement of Operations in the period in which the transactions or events occurred that gave rise to the revenues, amounts can be reasonably estimated, and collection is reasonably assured. Interest income is recognized when earned. Revenues from fee collection include property transfer fees, which are recognized on the date on which the transfer was recorded by the rights registrar. Any fines and penalties pertaining to the year in question are recognized when infractions are issued.



## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **r) Employee future benefits liability and expenditures**

#### **- Defined benefit plans**

Plan liability 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 estimated 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 four 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, 2018, this weighted average remaining service life is 13 years.

The expenditure for these plans is determined on an accrual basis to attribute the benefit cost to the periods in which the related services are rendered by participating employees. Past service costs, amortization of actuarial gains and losses, interest expenditure resulting from the difference between the interest cost on the obligation and the expected rate of return on plan assets, and the change in valuation allowance are the other components of the defined benefit plan expenditure.

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

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

### **s) 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 is an estimate of the discounted costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems until 2062. These costs are presented net of user fees from biogas processing.

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

### **t) Environmental liability**

The City records an environmental liability for remediation of contaminated sites when the following criteria are satisfied: an environmental standard exists; the contamination exceeds this standard; the City is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amounts based on the discounted cash flows presented, if any, on a net basis in transfer revenues, can be made.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **u) Contingent liabilities**

Contingent liabilities are recognized in the Consolidated Statement of Financial Position when a future event is likely to confirm the existence of a liability at the financial consolidated statements' date and the amount of loss can be reasonably estimated.

### **v) Contribution to organizations**

Contributions to organizations are recognized as expenditures in the Consolidated Statement of Operations in the period in which the transfer payment is authorized and all eligibility criteria are met by the recipient, as necessary.

### **w) 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 rate in effect on the reporting date of the Consolidated Statement of Financial Position, and foreign exchange gains or losses are immediately recognized on to the Consolidated Statement of Operations if they are cash items.

### **x) 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 of the Consolidated Statement of Financial Position 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 Consolidated Statement of Financial Position.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **y) Urban agglomeration responsibilities**

Under *An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), the municipal administration, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: property 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 consolidated operating activities and capital asset surplus for tax purposes according to both local and agglomeration responsibilities.

### **z) 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, residual materials removal, and environmental protection;
- the "Health and welfare" item refers to all community health and welfare services including social housing and income security;
- 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **aa) Budget data information**

The Consolidated Statement of Operations and the Consolidated Statement of the Change in Net Debt include a comparison of actual and consolidated budget data.

Budget data on the Consolidated Statement of Operations includes unconsolidated budgets of the municipal administration adopted by city council and the urban agglomeration council in January 2018 as well as the budgets adopted by the principal organizations under the City's control. It also reflects adjustments made to comply with Canadian public sector accounting standards and the elimination of reciprocal transactions. Table 5 presents the reconciliation of operating budgets that have been tabled and the budget included in the Consolidated Statement of Operations.

Budget data pertaining to the acquisition of capital assets in the Consolidated Statement of the Change in Net Debt results from the combination of capital asset budget of the municipal administration adopted by city council and the urban agglomeration council in February 2018 in addition to the capital asset budgets adopted by the principal organizations under the City's control.

A comparison of actual and unconsolidated budget data is also presented in the city administration's tables for tax purposes.

### **3. CHANGE IN ACCOUNTING POLICY**

On January 1, 2018, the City elected to prospectively apply the following new accounting standards: PS 2200, *Related Party Disclosures*, PS 3420, *Inter-entity Transactions*, PS 3210, *Assets*, PS 3320, *Contingent Assets* and PS 3380, *Contractual Rights*.

Section PS 2200, *Related Party Disclosures*, defines a related party and establishes disclosures required for related party transactions. Related parties generally include entities comprised in the consolidation group, in addition to the key management personnel of these entities and their close family members. They also include entities in which key management personnel and their close family members have the power to determine financial and operating decisions. If applicable, disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated and when these transactions have or could have a material financial effect on the consolidated financial statements. The City's key management personnel includes the mayor, other Executive Committee members, the City Manager and Assistant City Managers of the municipal administration and their counterparts in the other entities included in the consolidation group.

Section PS 3420, *Inter-entity Transactions*, establishes standards on how to account for and report transactions between entities included in the consolidation group.

Section PS 3210, *Assets*, provides guidance on applying the definition of assets as well as information about the major categories of assets that are not recognized.

Section PS 3320, *Contingent Assets*, defines and establishes disclosure standards on contingent assets if the occurrence of the confirming future event is deemed likely.

Section PS 3380, *Contractual Rights*, defines and establishes disclosure standards on contractual rights, in particular their extent and timing.

Information on contractual obligations, contractual rights and contingent assets is provided in Notes 18 and 19. No additional disclosures are required under sections PS 2200, *Related Party Disclosures*, PS 3420, *Inter-entity Transactions* and PS 3210, *Assets*.

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS**  
(in thousands of dollars)

	2018			2017
	Sinking Fund	Other	Total	Total
Cash and cash equivalents				
Cash		558,190	558,190	254,902
Cash equivalents		5,100	5,100	24,728
		563,290	563,290	279,630
Investments				
Term deposits and other securities	103,342	37,720	141,062	193,775
Bonds and debentures	2,463,401	275,913	2,739,314	2,880,344
	2,566,743	313,633	2,880,376	3,074,119

Cash equivalents essentially include notes, bankers' acceptances and deposit certificates. They bear interest at a rate of 2.1% (at rates varying between 1.14% and 1.28% in 2017).

As at December 31, 2018, the fair value of investments was \$2,913.3 million (3,143.5 million in 2017).

As at December 31, 2017, the Sinking Fund and other investments totalled \$2,527.7 million and \$546.4 million, respectively.

Bonds and debentures held by the City essentially comprise securities issued by governments and their bodies and by municipalities, school boards, CEGEPs and health and social services institutions. In particular, they include bonds and debentures issued by the Ville de Montréal and the STM totalling \$700.0 million (\$676.3 million in 2017).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**4. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**  
(in thousands of dollars)

The maturities of investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
<b>December 31, 2018</b>				
2019	141,062	385,925	526,987	3.78%
2020		417,462	417,462	2.85%
2021		191,149	191,149	4.09%
2022		135,342	135,342	2.91%
2023		191,895	191,895	3.29%
1 to 5 years	141,062	1,321,773	1,462,835	3.41%
6 to 10 years		976,515	976,515	3.42%
11 to 15 years		237,121	237,121	3.68%
16 to 20 years		181,010	181,010	3.62%
More than 20 years		22,895	22,895	4.10%
	141,062	2,739,314	2,880,376	
<b>December 31, 2017</b>				
2018	169,772	334,530	504,302	2.06%
2019	24,003	352,299	376,302	3.81%
2020		424,244	424,244	2.48%
2021		190,743	190,743	4.00%
2022		136,717	136,717	2.85%
1 to 5 years	193,775	1,438,533	1,632,308	2.87%
6 to 10 years		988,290	988,290	3.44%
11 to 15 years		225,757	225,757	3.63%
16 to 20 years		204,367	204,367	3.67%
More than 20 years		23,397	23,397	4.10%
	193,775	2,880,344	3,074,119	

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**5. ACCOUNTS RECEIVABLE**  
(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
Taxes	119,208	108,074
Government of Canada and its enterprises	256,620	294,554
Government of Québec and its enterprises	3,970,088	3,397,847
Municipal organizations	57,694	37,264
Services rendered and other	369,473	368,036
	<b>4,773,083</b>	<b>4,205,775</b>

An allowance for doubtful accounts of \$128.5 million (\$123.6 million in 2017) has been deducted from accounts receivable.

	<b>2018</b>	<b>2017</b>
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,862,834	2,535,263

The fair value of the receivables to be used to repay long-term debt is \$2,912.1 million (\$2,635.1 million in 2017).



**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**5. ACCOUNTS RECEIVABLE (continued)**  
(in thousands of dollars)

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2018, are as follows:

		Weighted nominal		
		Receipts	interest rate	Refinancing
<b>December 31, 2018</b>				
	2019	334,482	3.63%	14,590
	2020	296,647	3.41%	4,249
	2021	255,019	3.31%	21,565
	2022	224,618	3.29%	13,656
	2023	188,572	3.26%	62,504
	1 to 5 years	1,299,338	3.41%	116,564
	6 to 10 years	359,742	3.03%	460,697
	11 to 15 years	140,343	2.74%	403,364
	16 to 20 years	54,109	2.90%	28,677
		1,853,532	3.27%	1,009,302
<b>December 31, 2017</b>				
	2018	293,698	3.88%	41,324
	2019	291,189	3.76%	14,880
	2020	254,996	3.54%	4,539
	2021	213,803	3.45%	21,856
	2022	183,812	3.43%	13,946
	1 to 5 years	1,237,498	3.64%	96,545
	6 to 10 years	444,077	3.19%	280,269
	11 to 15 years	113,817	2.78%	280,628
	16 to 20 years	40,750	2.79%	41,679
		1,836,142	3.46%	699,121

## Notes and Tables to the Consolidated Financial Statements

December 31, 2018

### 6. LOANS RECEIVABLE (in thousands of dollars)

	2018	2017
Loans to PME MTL	29,080	24,531
Loans to a municipal housing corporation	5,376	5,079
Balances of sales prices and other loans	3,131	3,220
	37,587	32,830

Loans to PME MTL ending in 2021, do not bear interest. An amount of \$2.7 million (\$3.3 million in 2017) has been deducted from the value of these loans in order for them to be presented at the discounted nominal value.

Loans to a municipal housing corporation, which mature from 2020 to 2033, do not bear interest. An amount of \$2.3 million (\$2.5 million in 2017) was deducted from the value of these loans to present them at their discounted nominal value.

As at December 31, 2018, no provision for valuation allowance was recognized (none in 2017).

### 7. TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled \$2,081.3 million as at December 31, 2018 (\$2,056.0 million in 2017).

Of this amount, \$1,762.2 million (\$750.0 million under the limit set by the STM and \$1,012.2 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, 2018, the nominal value of commercial paper issuances was \$389.8 million (\$603.3 million in 2017) and the average rate on these temporary loans was 2.17% (1.32% in 2017).

The City also has demand lines of credit from different banks totalling \$319.1 million. As at December 31, 2018, the amount of the credit used was \$66.5 million (\$35.0 million in 2017) and bears interest at an average rate of 2.39% (1.68% in 2017).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**8. ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES**  
(in thousands of dollars)

	2018	2017
Trade accounts payable	708,693	593,272
Remuneration and benefits costs	567,554	556,818
Deposits and holdbacks	230,631	207,274
Accrued interest payable on long-term debt	88,398	84,301
Provisions		
Solid waste landfill closure and post-closure costs (1)	83,907	64,926
Environmental liability (2)	99,367	76,806
Contested valuations	39,153	32,292
Other	89,747	108,774
Government of Québec and its enterprises (3)	54,469	50,643
Other	62,447	58,873
	2,024,366	1,833,979

<sup>1</sup> The City records a liability for solid waste landfill closure and post-closure cost. Estimated total undiscounted expenditures amounted to \$153.2 million (\$115.4 million in 2017) and the discount rate used was 3.5% (4.0% in 2017).

<sup>2</sup> The City records an environmental liability in respect of the clean-up of contaminated sites. Based on information currently known, this liability comprises costs directly attributable to remediation activities. These costs include those associated with operating activities as well as those related to the construction of infrastructure used solely for cleaning up the sites. Once the period for the remediation work has been determined, the City discounts the costs. As at December 31, 2018, the liability associated with the sites whose clean-up costs have been determined, the City discounts the costs. As at December 31, 2018, the liability associated with the sites whose clean-up costs have been determined amounted to \$76.9 million (\$58.2 million in 2017); estimated total undiscounted expenditures, which are expected to be realized until 2044, amount to \$100.5 million (\$80.1 million in 2017); and the discount rate used was 3.5% (4.0% in 2017). The liability related to sites for which the period of work could not be determined was \$22.5 million (\$18.6 million in 2017). Potential cost recoveries related to government transfers and the invoicing of partners involved in cleaning up the sites, are recorded as a reduction in liability if they are confirmed and are meeting all recognition criteria. Cost recoveries of \$9.8 million (\$9.8 million in 2017) reduced the liability as at December 31, 2018.

<sup>3</sup> In 2017, the Government of Québec and the Société nationale du cheval de course (national racehorse society) sold to the City certain lots in a location known as the Hippodrome de Montréal. This sale was concluded without immediate monetary consideration but in exchange for the selling price of the land being shared between the City and the Government. As at December 31, 2018, the amount payable to the Government of Québec recorded in the City's books totals is estimated at \$39.7 million (\$38.1 million in 2017).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**9. DEFERRED REVENUES**  
(in thousands of dollars)

	2018	2017
Transfers	160,972	8,565
Premium upon issuance of securities	62,651	70,228
Acquisition and development of parks and playing fields	34,795	35,252
Automobile registration taxes	16,185	16,002
Social housing development fund	18,198	11,996
Other	25,812	20,788
	318,613	162,831

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

	2018	2017
Bonds and bank loans (1)	12,224,323	11,164,064
Term loans and mortgages (2)	90,645	96,962
Other long-term debt	27,249	16,639
	12,342,217	11,277,665

<sup>1</sup> Includes the long-term debt related to repaying the net pension plan obligation totalling \$1,294.9 million (\$1,294.9 million in 2017).

<sup>2</sup> Mortgages in the amount of \$11.1 million (\$14.9 million in 2017) are guaranteed by properties with a carrying value of \$33.3 million (\$33.7 million in 2017).

In 2017, the SHDM obtained \$100 million in term loan financing for a real estate project, available starting on January 7, 2019. The SHDM plans to use this financing when the construction work is completed.

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

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

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

	2018	2017
Chargeable to taxpayers		
Of the central municipality	4,276,154	3,961,344
Of the agglomeration	2,281,092	1,921,305
Accumulated amounts in the Sinking Fund	2,566,743	2,527,700
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,862,834	2,535,263
Amount recoverable through user fees	355,394	332,053
	12,342,217	11,277,665

The City uses currency and interest-rate swap agreements for loans totalling \$183.5 million (\$185.9 million in 2017). The financial liabilities associated with these swaps are included in the long-term debt amount.

Considering the existence of these swaps, all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2018, all loans in foreign currencies are hedged.

Estimated payments on long-term debt are as follows:

	2018			2017		
	Canadian dollars (1)	Refinancing	Net Amount	Canadian dollars (1)	Refinancing	Net Amount
2018				1,052,875	307,212	745,663
2019	1,301,788	242,780	1,059,008	1,240,514	242,791	997,723
2020	587,777	88,011	499,766	532,228	88,012	444,216
2021	964,097	297,167	666,930	909,954	297,168	612,786
2022	748,637	461,023	287,614	617,223	381,023	236,200
2023	1,319,772	507,072	812,700			
1 to 5 years	4,922,071	1,596,053	3,326,018	4,352,794	1,316,206	3,036,588
6 to 10 years	4,261,707	1,119,630	3,142,077	4,277,341	1,049,261	3,228,080
11 to 15 years	722,607	80,365	642,242	725,356	80,365	644,991
16 to 20 years	1,382,102	151,811	1,230,291	868,444	27,955	840,489
2043	934,556		934,556	934,556		934,556
2045	119,174		119,174	119,174		119,174
TOTAL	12,342,217	2,947,859	9,394,358	11,277,665	2,473,787	8,803,878

<sup>1</sup> Including loans contracted in foreign currencies that are subject to hedging.

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

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

**Interest rates**

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

	<b>2018</b>	<b>2017</b>
<b>Maturity</b>	<b>Weighted average</b>	<b>Weighted average</b>
1 to 5 years	3.75%	4.08%
6 to 10 years	3.59%	3.73%
11 to 15 years	4.13%	4.15%
16 to 20 years	3.60%	3.77%
2043	6.00%	6.00%
2045	6.00%	6.00%
Weighted average	3.89%	4.11%

**Fair value**

The fair value of the debt was \$13,109.1 million (\$12,396.8 million in 2017). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of \$17.6 million (\$21.1 million in 2017).

**11. EMPLOYEE FUTURE BENEFITS LIABILITY**  
(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
Defined benefit pension plans	28,003	182,135
Other plans	288,861	276,781
Employee future benefits liability	316,864	458,916

Expenditures for the defined benefit plans totalled \$258.9 million (\$431.7 million in 2017). Expenditures for the defined contribution plans and the pension plans of elected officials totalled \$1.3 million (\$1.2 million in 2017) and \$2.8 million (\$2.7 million in 2017).

**11. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**  
(in thousands of dollars)

**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 valuation available covers fiscal year 2015 to fiscal year 2017.

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

	2018		2017	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	19,741,973		19,018,793	
Accrued benefit obligation	(19,391,122)	(299,862)	(18,893,396)	(304,886)
Surplus (Deficit)	350,851	(299,862)	125,397	(304,886)
Unamortized actuarial losses (gains)	(42,526)	11,001	96,092	28,105
Accrued benefit asset (liability)	308,325	(288,861)	221,489	(276,781)
Valuation allowance	(336,328)		(403,624)	
Employee future benefits liability	(28,003)	(288,861)	(182,135)	(276,781)

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

	2018		2017	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(6,787,150)	(299,862)	(9,273,485)	(304,886)
Actuarial value of plan assets	6,208,473		8,606,224	
Deficit	(578,677)	(299,862)	(667,261)	(304,886)

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**11. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**  
(in thousands of dollars)

d) Actuarial value of plan assets

	2018		2017	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	19,018,793		17,922,156	
Expected return on plan assets	1,136,308		1,069,957	
Gains during the year on the expected return on plan assets	20,142		481,977	
Actual return on plan assets	1,156,450		1,551,934	
Employer contributions	391,010	9,987	373,587	9,983
Employee contributions	209,706		185,789	
Benefits paid	(1,033,986)	(9,987)	(1,014,673)	(9,983)
Balance at end	19,741,973		19,018,793	
Fair value of plan assets (1)	19,427,822		19,757,026	

<sup>1</sup> The fair value of assets includes the bonds issued directly by the City to its pension plans, reported at a cost of \$303.7 million (\$303.7 million in 2017).



**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**11. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**  
(in thousands of dollars)

e) Accrued benefit obligation

	2018		2017	
	Pension plans (1)	Other plans	Pension plans (1)	Other plans
Balance at beginning	18,893,396	304,886	18,254,929	273,305
Current service cost	470,637	9,953	449,558	8,481
Past service cost	607	(532)	7,409	
Benefits paid	(1,033,986)	(9,987)	(1,014,673)	(9,983)
Interest cost on the obligation	1,082,913	10,907	1,045,151	10,861
(Gain) Loss on the obligation during the year	(22,445)	(15,365)	151,022	22,222
Balance at end	19,391,122	299,862	18,893,396	304,886

<sup>1</sup> As at December 31, 2018, the accrued benefit obligation of the pension plans includes a constructive obligation of \$1,771.1 million (\$1,763.5 million in 2017) arising from the adoption, in 2014, of the *Act to foster the financial health and sustainability of municipal defined benefit pension plans* (S.Q.2014, Chapter 15).

f) Components of the expenditure for defined benefits plans

	2018		2017	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	470,637	9,953	449,558	8,481
Past service cost	607	(532)	7,409	
Employee contributions	(209,706)		(185,789)	
Unamortized actuarial gains recognized upon plan amendments		(4)	(7,747)	
Amortization of actuarial losses	96,031	1,743	129,699	327
Retirement benefits expense	357,569	11,160	393,130	8,808
Interest cost on the obligation	1,082,913	10,907	1,045,151	10,861
Expected return on plan assets	(1,136,308)		(1,069,957)	
Interest cost	(53,395)	10,907	(24,806)	10,861
Change in valuation allowance	(67,296)		43,678	
Total expenditure	236,878	22,067	412,002	19,669

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**11. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**  
(in thousands of dollars)

g) Principal assumptions

The principal assumptions used are as follows:

	2018		2017	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	5.90% to 6.20%	3.50%	5.90% to 6.50%	3.50% to 3.75%
Rate of expected return on plan assets	5.90% to 6.50%		5.90% to 6.50%	
Inflation rate	2.00% to 2.10%	2.25%	2.00% to 2.25%	2.25%
Salary escalation rate	2.50% to 2.85%	2.50% to 3.10%	2.50% to 2.75%	2.50% to 3.10%
Initial growth rate for healthcare costs		3.00% to 7.50%		5.00% to 8.50%
Ultimate growth rate for healthcare costs		3.00% to 5.00%		3.00% to 5.50%
Years when rate is expected to stabilize		2027 and 2028		2025 and 2027

**Mortality tables**

For its main pension plans, except for the plan for police officers, the City uses mortality table CPM-2014 combined with the CPM-B scale, which it has chosen to adjust based on the results of a municipal sector study. For the police officers pension plan, the City uses mortality table CPM-2014Publ combined with the CPM-B scale and adjustment factors based on the provisioning reports.

**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 Retraite Québec. The City's contributions are determined by the government.

b) Employer contributions

	2018	2017
Defined contribution plans	1,277	1,248
Pension plans of elected officials	2,777	2,729

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2018

**12. CAPITAL ASSETS**  
(in thousands of dollars)

	Balance as at December 31, 2017	Increase	Disposals / Write offs	Balance as at December 31, 2018
<b>COST</b>				
Infrastructures	12,146,537	1,222,964	225,459	13,144,042
Metro system	2,820,138	220,629	20,929	3,019,838
Metro cars	1,437,984	627,359	100,384	1,964,959
Buildings	3,771,250	409,119	61,887	4,118,482
Leasehold improvements	111,175	24,600	3,944	131,831
Vehicles	1,603,231	142,383	24,401	1,721,213
Office furniture and equipment	610,194	121,717	77,609	654,302
Machinery, tools and equipment	457,363	54,399	38,182	473,580
Land	1,317,224	80,526	1,319	1,396,431
Other	6,100	8,201	1,212	13,089
	24,281,196	2,911,897	555,326	26,637,767
<b>ACCUMULATED AMORTIZATION</b>				
Infrastructures	5,279,252	503,747	224,284	5,558,715
Metro system	807,216	96,630	20,929	882,917
Metro cars	352,331	34,302	100,384	286,249
Buildings	1,673,794	118,497	59,716	1,732,575
Leasehold improvements	52,718	24,400	3,202	73,916
Vehicles	905,239	107,163	24,401	988,001
Office furniture and equipment	280,271	89,647	74,389	295,529
Machinery, tools and equipment	204,616	42,164	33,333	213,447
Other	1,273	145	1,212	206
	9,556,710	1,016,695	541,850	10,031,555
<b>NET CARRYING VALUE</b>	14,724,486			16,606,212

The cost of the capital assets in the process of completion totalling \$1,231.8 million as at December 31, 2018 (\$780.6 million in 2017). There were no write-downs during the year (none in 2017).

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

	2018	2017
Deposits to purchase metro cars and buses	92,400	216,940
Securities issuance costs	60,011	43,852
Other	8,867	7,795
	161,278	268,587

**14. ACCUMULATED SURPLUS**  
(in thousands of dollars)

	2018	2017
Unrestricted operating surplus	211,925	230,970
Restricted operating surplus	442,550	347,451
Financial reserves and reserved funds	239,297	169,336
Deficit of capital asset activities	(588,221)	(604,284)
Recognized expenditures to be taxed or funded	(1,232,778)	(1,249,893)
Net investment in capital assets	10,718,932	9,541,813
	9,791,705	8,435,393

In accordance with the model developed by the Ministère des Affaires municipales et de l'Habitation 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 as well as in Tables 1 to 11.

**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* (S.Q. 2000, chapter 56), 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 the City's control.

**Financial reserves and reserved funds**

Financial reserves and reserved funds are the portion of the accumulated surplus for limited purposes under statutory and contractual provisions. The reserves and reserved funds are used for the development and maintenance of parking areas, the provision of water, road network services and the acquisition of capital assets.

**Deficit of capital asset activities**

The deficit of capital assets activities consists of the financing deficit over the costs of capital assets.

**14. ACCUMULATED SURPLUS (continued)**  
**(in thousands of dollars)**

**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 Consolidated 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 net balance will be transferred by allocating it to the unrestricted operating surplus based on budgeted amounts or resolutions adopted by the city council and the urban agglomeration council. The recognized expenditures to be taxed or funded results from the following:

- the application of relief measures related to employee future benefits (allocations over an estimated period through to 2025);
- the application of relief measures to mitigate the impact of the 2008 financial crisis in the defined benefit pension plans (allocations over an estimated period until 2022);
- the application of relief measures related to the environmental liability (allocations over an estimated period through to 2042);
- the application allowed during the 2014 to 2017 period of relief measures relating to the change in the treatment of the Québec sales tax (QST) refund, (allocations over a maximum 10-year period);
- the long-term financing of certain operating expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (allocations 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, 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**  
December 31, 2018

**15. TRANSFER REVENUES**  
(in thousands of dollars)

	2018	2017
Transfers - Operating activities		
Government of Canada	5,488	5,354
Government of Québec	327,129	524,770
Communauté métropolitaine de Montréal	37,603	35,705
	370,220	565,829
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	34,378	58,814
Gas tax program and the Québec government contribution (TECQ)	25,502	97,442
Government of Québec		
Government public transit assistance program	526,522	495,145
Public transit infrastructure assistance program	251,325	
Canada/Québec Infrastructure program	168,296	46,799
Québec/Municipalities Infrastructure program	38,743	5,551
Gas tax program and the Québec government contribution (TECQ)	44,002	204,662
Other	47,840	22,457
	1,136,608	930,870
	1,506,828	1,496,699

**16. INTEREST INCOME**  
(in thousands of dollars)

	2018	2017
Sinking Fund	78,926	82,667
Cash, cash equivalents and others	49,475	40,102
	128,401	122,769
Tax arrears	15,963	15,315
	144,364	138,084

## 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, 2018, considering the use of currency and interest-rate swaps, 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.

### Fair value

The fair value of cash and cash equivalents, 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)	2018		2017	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,913,333	2,880,376	3,143,527	3,074,119
Receivables amount to be used to repay				
long-term debt	2,912,118	2,862,834	2,635,148	2,535,263
Long-term debt	13,109,158	12,342,217	12,396,833	11,277,665

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 and the long-term debt is essentially based on a discounted cash flows 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, 2018, the fair value of financial liabilities associated with swaps stood at \$17.6 million (\$21.1 million in 2017). It is included in the long-term debt amounts.

## 18. CONTRACTUAL RIGHTS AND OBLIGATIONS

### 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 \$2,220.4 million. The estimated amounts payable over the coming years are as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024-2050</u>	<u>Total</u>
\$602.8M	\$436.4M	\$302.9M	\$182.7M	\$149.4M	\$546.2M	\$2,220.4M

Capital activity commitments total \$3,813.7 million including \$1,000.8 million to purchase buses and \$672.7 million to purchase metro cars.

### b) Contractual rights

Contractual rights are estimated to total \$3,345.6 million and represent future revenue that the City will be eligible to receive under existing agreements. They essentially consist of transfer revenues totalling \$2,789.8 million and revenues related to services rendered in an amount of \$555.8 million pertaining to the rental of premises and underground pipes as well as the lending of employees.

The timing of contractual rights is as follows:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024-2065</u>	<u>Sub- total</u>	<u>Open-ended agreements (1)</u>	<u>Total</u>
\$ 708.2 M	\$ 978.0 M	\$ 615.9 M	\$ 273.7 M	\$ 157.2 M	\$ 498.6 M	\$ 3,231.6 M	\$ 114.0 M	\$ 3,345.6 M

<sup>1</sup> Contractual rights relating to open-ended agreements have been established only for 2019. They pertain to transfer revenues in an amount of \$93.5 million and revenues for services rendered totalling \$20.5 million relating to the lending of employees.

## 19. CONTINGENT ASSETS

Legal claims made by the City amount to \$94.8 million. To avoid any negative consequences from the outcome of these claims, the City has chosen not to disclose the amount that it considers likely to be recovered.



## **20. CONTINGENT LIABILITIES**

### **a) Claims and insurance**

Claims pending against the City amount to \$2,074.7 million (\$2,100.7 million in 2017).

They include a \$1,500.0 million class-action suit brought on by RAPLIQ (Regroupement des activistes pour l'inclusion au Québec) and authorized by the Superior Court on May 26, 2017. RAPLIQ is an organization whose mission is to promote and defend the human rights of those who have a disability. According to the group, the public transit network run by the STM, the Agence métropolitaine de transport (AMT) (and its successors) and the Municipal Administration are inaccessible and violate the rights and freedoms of people with physical disabilities. At this time, the City is unable to determine the outcome of this class action.

In the opinion of the City's legal counsel, the resolution of other claims will not materially impact the City's financial position.

The Municipal Administration has not contracted any risk insurance. However, it has budgeted, for tax purposes, an amount of nearly de \$33 million for the settling of claims and payment of judgments and expenditures not forecasted in the budget.

### **b) Act fostering the financial health of defined benefit pension plans**

Since the *Act to foster the financial health and sustainability of municipal defined benefit pension plans* (S.Q.2014, Chapter 15) was assented to, applications instituting proceedings to declare the Act unconstitutional and invalid have been filed with the Superior Court of Québec by labour unions in opposition to this Act. Since the result of these proceedings and the amounts involved cannot be determined, the possible impacts of these publications have not been considered as at December 31, 2018.

### **c) Environment**

The City, as an owner of contaminated land, may be required to perform certain acts to comply with, in particular, the *Act to amend the Environment Quality Act* (S.Q. 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.

## **21. SUBSEQUENT EVENT**

### **Organization and governance of shared transportation in the Montréal Metropolitan Area**

Since June 1, 2017, the STM has been subject to the *Act to modify mainly the organization and governance of shared transportation in the Montréal metropolitan area* (S.Q.2016, chapter 8).

Under this Act, the ARTM must acquire, from the STM and the City, equipment and infrastructures of metropolitan scope. The acquisition contracts must specify the date and terms of transfer of the property. Those assets are expected to be acquired at their net carrying value, net of all government assistance received. Conversely, the assets previously designated as being metropolitan, which are exclusively for STM users, will be transferred to the STM. These assets were not transferred as at December 31, 2018. However, STM is expected to transfer reserved lanes, incentive parking facilities and terminals to ARTM while ARTM is expected to transfer the incentive parking facilities and terminals.

On February 7, 2019, the STM's Board of Directors authorized the agreement reached with the ARTM regarding public transit services. This agreement, which covers the period from June 1, 2017 to December 31, 2019, sets out STM's compensation and the transportation service agreed by both parties.

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## **22. PRIOR PERIOD**

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



**Notes and Tables to the Consolidated Financial Statements**  
Fiscal Year Ended December 31, 2018

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

<b>2018</b>		
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual (1)</b>
<b>Revenues</b>		
Taxes	3,423,699	3,433,199
Payments in lieu of taxes	270,943	264,417
Quota shares		
Transfers	192,250	204,394
Services rendered	408,775	404,011
Fee collection	210,565	317,010
Fines and penalties	100,132	103,096
Interest	77,973	88,808
Other revenues	36,690	43,145
	<b>4,721,027</b>	<b>4,858,080</b>
<b>Operating expenditures</b>		
General administration	774,767	694,237
Public security	838,221	842,701
Transportation	988,651	1,014,250
Environmental hygiene	446,006	465,294
Health and welfare	128,475	126,021
Urban planning and development	182,332	174,188
Recreation and culture	553,322	567,816
Financing expenses	268,955	266,686
	<b>4,180,729</b>	<b>4,151,193</b>
<b>Surplus before financing and allocations</b>	<b>540,298</b>	<b>706,887</b>
<b>Financing</b>		
Repayment of long-term debt (3)	(318,712)	(318,341)
<b>Allocations (Note 14)</b>		
Capital asset activities	(22,000)	(33,547)
Restricted operating surplus	67,287	117,957
Financial reserves and reserved funds	(233,416)	(233,093)
Recognized expenditures to be taxed or funded	(40,875)	(20,021)
	<b>(229,004)</b>	<b>(168,704)</b>
<b>Operating surplus (deficit) for tax purposes for the year</b>	<b>(7,418)</b>	<b>219,842</b>

<sup>1</sup> The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$21.5 million (\$46.4 million in 2017) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Québec government contribution program (TECQ) and under the Building Canada Fund - Québec (BCFQ).

<sup>2</sup> Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

<sup>3</sup> 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.

(in thousands of dollars)

2018						2017
Urban agglomeration						
responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
48,720	48,879	(20,436)	(21,897)	3,451,983	<b>3,460,181</b>	3,322,152
				270,943	<b>264,417</b>	260,024
2,395,343	2,392,611	(1,977,444)	(1,974,506)	417,899	<b>418,105</b>	397,247
244,257	215,622	(46,266)	(49,796)	390,241	<b>370,220</b>	565,829
1,414,277	1,415,941	(94,394)	(94,530)	1,728,658	<b>1,725,422</b>	1,068,890
1,969	1,963			212,534	<b>318,973</b>	265,882
106,496	85,937			206,628	<b>189,033</b>	172,814
89,701	83,253	(29,286)	(27,697)	138,388	<b>144,364</b>	138,084
57,658	72,505	(2,000)	(2,000)	92,348	<b>113,650</b>	122,508
4,358,421	4,316,711	(2,169,826)	(2,170,426)	6,909,622	<b>7,004,365</b>	6,313,430
350,476	278,729	(308,262)	(309,404)	816,981	<b>663,562</b>	756,799
1,015,202	1,065,162	(830,482)	(830,531)	1,022,941	<b>1,077,332</b>	1,100,761
1,840,510	1,674,993	(591,907)	(593,689)	2,237,254	<b>2,095,554</b>	1,689,476
217,732	239,584	(241,390)	(239,043)	422,348	<b>465,835</b>	405,837
38,630	30,412	(15,835)	(16,313)	151,270	<b>140,120</b>	128,452
77,857	72,630	(42,169)	(42,088)	218,020	<b>204,730</b>	214,035
156,970	171,613	(110,495)	(111,661)	599,797	<b>627,768</b>	643,687
275,233	261,720	(29,286)	(27,697)	514,902	<b>500,709</b>	489,528
3,972,610	3,794,843	(2,169,826)	(2,170,426)	5,983,513	<b>5,775,610</b>	5,428,575
385,811	521,868			926,109	<b>1,228,755</b>	884,855
(254,010)	(236,845)	(182)	(181)	(572,904)	<b>(555,367)</b>	(539,025)
(28,250)	(26,711)			(50,250)	<b>(60,258)</b>	(50,924)
	23			67,287	<b>117,980</b>	143,322
(120,468)	(263,663)			(353,884)	<b>(496,756)</b>	(325,455)
14,810	(10,682)	182	181	(25,883)	<b>(30,522)</b>	30,702
(133,908)	(301,033)	182	181	(362,730)	<b>(469,556)</b>	(202,355)
(2,107)	(16,010)			(9,525)	<b>203,832</b>	143,475

**Notes and Tables to the Consolidated Financial Statements**  
Fiscal Year Ended December 31, 2018

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

<b>2018</b>		
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>		
Quota shares		
Transfers	60,300	41,588
Developers contributions	4,700	7,378
Other revenues		7,532
	65,000	56,498
<b>Capital expenditures</b>		
General administration	97,200	61,022
Public security		1,235
Transportation	672,300	505,165
Environmental hygiene	163,300	234,789
Health and welfare	75,000	52,588
Urban planning and development	84,600	62,835
Recreation and culture	333,200	268,656
	1,425,600	1,186,290
<b>Deficit before financing and allocations</b>	(1,360,600)	(1,129,792)
<b>Financing</b>		
Long-term financing of capital asset activities	1,084,000	667,068
<b>Allocations (Note 14)</b>		
Operating activities	22,000	33,547
Restricted operating surplus		10,150
Financial reserves and reserved funds (3)	254,600	255,026
	276,600	298,723
<b>Surplus (Deficit) of capital asset activities for tax purposes for the year</b>		(164,001)

<sup>1</sup> The revenues include transfers of \$21.5 million (\$46.4 million in 2017) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Québec government contribution program (TECQ) and under the Building Canada Fund – Québec (BCFQ).

<sup>2</sup> Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

<sup>3</sup> The allocation of \$171.4 million (\$142.2 million in 2017) presented in urban agglomeration responsibilities includes an amount of \$10.0 million (\$7.6 million in 2017) from local responsibilities.

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(in thousands of dollars)

2018						2017
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual (1)	Budget	Actual	Budget	Actual	Actual
864,613	1,095,020			924,913	1,136,608	930,870
	8			4,700	7,386	1,558
38,118	6,202			38,118	13,734	6,790
902,731	1,101,230			967,731	1,157,728	939,218
49,800	42,559			147,000	103,581	109,971
61,100	57,683			61,100	58,918	41,339
995,440	1,170,269			1,667,740	1,675,434	1,553,262
430,800	278,756			594,100	513,545	378,227
	25,827			75,000	78,415	53,720
12,300	4,016			96,900	66,851	52,736
131,100	146,497			464,300	415,153	333,816
1,680,540	1,725,607			3,106,140	2,911,897	2,523,071
(777,809)	(624,377)			(2,138,409)	(1,754,169)	(1,583,853)
613,459	565,910		26,996	1,697,459	1,259,974	783,860
28,250	26,711			50,250	60,258	50,924
					10,150	24,116
136,100	171,417			390,700	426,443	343,716
164,350	198,128			440,950	496,851	418,756
	139,661		26,996		2,656	(381,237)

**Notes and Tables to the Consolidated Financial Statements**  
As at December 31, 2018

**TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS**

(in thousands of dollars)

	2018	2017
<b>Accumulated surplus</b>		
Unrestricted operating surplus	211,925	230,970
Restricted operating surplus	442,550	347,451
Financial reserves and reserved funds	239,297	169,336
Deficit of capital asset activities	(588,221)	(604,284)
Recognized expenditures to be taxed or funded	(1,232,778)	(1,249,893)
Net investment in capital assets	10,718,932	9,541,813
	<b>9,791,705</b>	<b>8,435,393</b>
<b>Breakdown of different items</b>		
<b>Restricted operating surplus</b>		
Allocation to the following year	4,800	
Restricted surplus - Boroughs	205,253	192,253
Restricted surplus - Specific projects	107,136	24,542
Restricted surplus - Other purposes	125,361	130,656
	<b>442,550</b>	<b>347,451</b>
<b>Financial reserves and reserved funds</b>		
Financial reserves		
Water	35,337	58,434
Road network	34,538	43,358
Capital assets	282	40,279
	<b>70,157</b>	<b>142,071</b>
Reserved funds		
Capital assets	143,597	1,327
Working capital	10,768	10,826
Balance on hand of closed-loan by-laws	8,240	8,592
Parking areas	6,218	6,144
Other	317	376
	<b>169,140</b>	<b>27,265</b>
	<b>239,297</b>	<b>169,336</b>
<b>Recognized expenditures to be taxed or funded</b>		
Employee future benefits		
Pension plans	99,739	80,248
Other plans	(199,140)	(199,140)
	<b>(99,401)</b>	<b>(118,892)</b>
Environmental liability	(36,800)	(38,400)
QST transitional measure	(8,940)	(22,540)
Long-term financing of operating activities	(1,087,637)	(1,070,061)
	<b>(1,232,778)</b>	<b>(1,249,893)</b>



**Notes and Tables to the Consolidated Financial Statements**  
As at December 31, 2018

**TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS (continued)**

(in thousands of dollars)

	<b>2018</b>	<b>2017</b>
<b>Net investment in capital assets</b>		
Assets		
Investments - Sinking Fund	<b>2,566,743</b>	2,527,700
Receivables amounts to be used to repay long-term debt	<b>2,756,685</b>	2,414,540
Capital assets	<b>16,606,212</b>	14,724,486
	<b>21,929,640</b>	19,666,726
Liabilities		
Long-term debt	<b>(12,342,217)</b>	(11,277,665)
Debt not affecting the net investment in capital assets	<b>1,131,509</b>	1,152,752
	<b>(11,210,708)</b>	(10,124,913)
	<b>10,718,932</b>	9,541,813

**Notes and Tables to the Consolidated Financial Statements**  
As at December 31, 2018

**TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT**

(in thousands of dollars)

	2018	2017
<b>Long-term debt of the municipal administration</b>	<b>9,221,042</b>	8,604,927
<i><b>Add</b></i>		
Long-term unfunded operating expenditures	112,634	134,308
Long-term unfunded capital expenditures	251,026	109,170
Other		
Purchase of land	26,761	15,164
<i><b>Deduct</b></i>		
Receivables amount dedicated to repayment on long-term debt	1,414,779	1,212,315
Amount accumulated for repayment on long-term debt	1,957,537	2,006,830
Amount recoverable through user fees	361,503	342,427
<b>Net long-term debt of the municipal administration</b>	<b>5,877,644</b>	5,301,997
Share in the net total long-term debt of controlled organizations	1,377,794	1,256,794
<b>Consolidated net long-term debt</b>	<b>7,255,438</b>	6,558,791
Quota share in net total long-term debt - EXO	169,246	193,580
Quota share in net total long-term debt - ARTM	23,271	20,604
Quota share in net total long-term debt - CMM	9,166	10,758
<b>Consolidated net total long-term debt</b>	<b>7,457,121</b>	6,783,733

Net total long-term debt is equivalent to debt whose repayment is to be provided for by tax revenues or other future self-generating revenues.

# Notes and Tables to the Consolidated Financial Statements

## As at December 31, 2018

**TABLE 5 - RECONCILIATION OF OPERATING BUDGETS TABLED AND CONSOLIDATED BUDGET PRESENTED**  
**IN THE CONSOLIDATED STATEMENT OF OPERATIONS**

(in thousands of dollars)

					2018
	Operating budget tabled				
	Municipal administration	Controlled organisations (1)	Adjustments (2)	Eliminations (3)	Consolidated budget
<b>Revenues</b>					
Taxes	3,472,419			(20,436)	3,451,983
Payments in lieu of taxes	270,943				270,943
Quota shares	417,899				417,899
Transfers	292,439	144,068	924,913	(46,266)	1,315,154
Services rendered	312,867	1,508,719		(92,928)	1,728,658
Fee collection	212,534				212,534
Fines and penalties	206,628				206,628
Interest	148,752	18,922		(29,286)	138,388
Other revenues	33,014	61,334	42,818	(2,000)	135,166
	5,367,495	1,733,043	967,731	(190,916)	7,877,353
<b>Operating expenditures</b>					
General administration	826,798		15,426	(9,817)	832,407
Public security	1,022,941		39,093		1,062,034
Transportation	1,013,967	1,580,374	266,641	(100,032)	2,760,950
Environmental hygiene	423,187		235,028	(839)	657,376
Health and welfare	105,112	65,783	562	(11,464)	159,993
Urban planning and development	214,144	11,469	34,113	(7,134)	252,592
Recreation and culture	569,225	62,981	116,984	(32,344)	716,846
Financing expenses	407,286	136,902		(29,286)	514,902
	4,582,660	1,857,509	707,847	(190,916)	6,957,100
<b>Surplus before financing and allocations</b>	784,835	(124,466)	259,884		920,253
<b>Financing</b>					
Repayment of long-term debt	(478,373)		478,373		
<b>Allocations</b>					
Capital asset activities					
Restricted operating surplus	67,287		(67,287)		
Financial reserves and reserved funds	(353,884)		353,884		
Recognized expenditures to be taxed or funded	(19,865)		19,865		
	(306,462)		306,462		
<b>Consolidated budgeted surplus (deficit) for the year</b>		(124,466)	1,044,719		920,253

<sup>1</sup> Revenues and expenditures of organizations under the City's control have been broken down into the same categories used by the municipal administration. The amortization expenditure totalling \$265.8 million is allocated as follows: transportation, \$257.1 million, health and welfare, \$8.2 million and urban planning and development, \$0.5 million.

<sup>2</sup> Adjustments include the following: revenues from capital assets activities totalling \$967.7 million and the amortization expenditure for the municipal administration totalling \$707.8 million, which impact the surplus for the year calculated under Canadian public sector accounting standards as well as financing and allocations that have no impact on the surplus under these same standards.

<sup>3</sup> Reciprocal transactions were eliminated under accounting standards governing the presentation of consolidated financial statements.



Municipal  
Administration  
Financial Reporting

2018

Breakdown by  
Responsibility

Water Management

Breakdown of  
Mixed Expenditures



Municipal  
Administration  
Financial Reporting

2018

Breakdown by  
Responsibility

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2018

**TABLE 6 – NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY**

	2018	
	Local responsibilities	
	Budget	Actual (1)
<b>Revenues</b>		
Taxes	3,423,699	3,433,199
Payments in lieu of taxes	270,943	264,417
Quota shares		
Transfers	181,616	191,102
Services rendered	255,333	256,933
Fee collection	210,565	317,010
Fines and penalties	100,132	103,096
Interest	77,773	88,342
Other revenues	30,069	35,338
	4,550,130	4,689,437
<b>Operating expenditures</b>		
General administration	774,767	694,237
Public security	838,221	842,701
Transportation	907,549	935,366
Environmental hygiene	446,006	465,294
Health and welfare	70,853	68,950
Urban planning and development	171,322	163,101
Recreation and culture	553,076	567,566
Financing expenses	267,601	264,452
	4,029,395	4,001,667
<b>Surplus before financing and allocations</b>	520,735	687,770
<b>Financing</b>		
Repayment of long-term debt (3)	(313,731)	(313,000)
<b>Allocations (Note 14)</b>		
Capital asset activities		(11,279)
Restricted operating surplus	67,287	117,957
Financial reserves and reserved funds	(233,416)	(233,093)
Recognized expenditures to be taxed or funded	(40,875)	(20,021)
	(207,004)	(146,436)
<b>Operating surplus (deficit) for tax purposes for the year</b>		228,334

<sup>1</sup> The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$21.5 million (\$46.4 million in 2017) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Québec government contribution program (TECQ) and under the Building Canada Fund - Québec (BCFQ).

<sup>2</sup> The eliminations refer to interjurisdictional transactions.

<sup>3</sup> 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.



(in thousands of dollars)

2018						2017
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
48,720	48,879			3,472,419	<b>3,482,078</b>	3,343,441
				270,943	<b>264,417</b>	260,024
2,395,343	2,392,611	(1,977,444)	(1,974,506)	417,899	<b>418,105</b>	397,247
110,823	91,966			292,439	<b>283,068</b>	350,702
59,000	60,047	(1,466)	(3,470)	312,867	<b>313,510</b>	314,394
1,969	1,963			212,534	<b>318,973</b>	265,882
106,496	85,937			206,628	<b>189,033</b>	172,814
70,979	72,460			148,752	<b>160,802</b>	144,570
2,945	16,807			33,014	<b>52,145</b>	43,131
<b>2,796,275</b>	<b>2,770,670</b>	<b>(1,978,910)</b>	<b>(1,977,976)</b>	<b>5,367,495</b>	<b>5,482,131</b>	<b>5,292,205</b>
350,476	278,729	(298,445)	(299,433)	826,798	<b>673,533</b>	766,300
1,015,202	1,065,162	(830,482)	(830,531)	1,022,941	<b>1,077,332</b>	1,100,761
598,293	573,573	(491,875)	(492,230)	1,013,967	<b>1,016,709</b>	1,010,174
217,732	239,584	(240,551)	(238,226)	423,187	<b>466,652</b>	406,660
38,630	30,412	(4,371)	(4,371)	105,112	<b>94,991</b>	89,913
77,857	72,630	(35,035)	(35,010)	214,144	<b>200,721</b>	209,238
94,300	107,819	(78,151)	(78,175)	569,225	<b>597,210</b>	615,355
139,685	132,713			407,286	<b>397,165</b>	389,789
<b>2,532,175</b>	<b>2,500,622</b>	<b>(1,978,910)</b>	<b>(1,977,976)</b>	<b>4,582,660</b>	<b>4,524,313</b>	<b>4,588,190</b>
264,100	270,048			784,835	<b>957,818</b>	704,015
(164,642)	(160,756)			(478,373)	<b>(473,756)</b>	(463,853)
	(6,425)				<b>(17,704)</b>	(9,487)
	23			67,287	<b>117,980</b>	141,995
(120,468)	(121,393)			(353,884)	<b>(354,486)</b>	(324,128)
21,010	2,863			(19,865)	<b>(17,158)</b>	90,968
(99,458)	(124,932)			(306,462)	<b>(271,368)</b>	(100,652)
	(15,640)				<b>212,694</b>	139,510



**Financial Information of the Municipal Administration**  
As at December 31, 2018

**TABLE 7 – NON-CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY** *(in thousands of dollars)*

	2018						2017
	Local responsibilities		Urban agglomeration responsibilities		Total		Total
	Budget	Actual	Budget	Actual (1)	Budget	Actual	Actual
<b>Revenues</b>							
Transfers	60,300	41,588	198,700	149,841	259,000	191,429	268,355
Developers contributions	4,700	7,378		8	4,700	7,386	1,558
Other revenues		7,532		220		7,752	6,790
	65,000	56,498	198,700	150,069	263,700	206,567	276,703
<b>Acquisition of capital assets</b>							
General administration	97,200	61,022	49,800	42,559	147,000	103,581	109,971
Public security		1,235	61,100	57,683	61,100	58,918	41,339
Transportation	668,800	504,397	52,900	33,185	721,700	537,582	498,667
Environmental hygiene	163,300	234,789	430,800	278,756	594,100	513,545	378,227
Health and welfare		65		25,827		25,892	199
Urban planning and development	84,600	62,829	12,300	4,016	96,900	66,845	52,712
Recreation and culture	333,200	268,656	131,100	146,482	464,300	415,138	333,801
	1,347,100	1,132,993	738,000	588,508	2,085,100	1,721,501	1,414,916
<b>Deficit before financing and allocations</b>	(1,282,100)	(1,076,495)	(539,300)	(438,439)	(1,821,400)	(1,514,934)	(1,138,213)
<b>Financing</b>							
Long-term financing of capital asset activities	1,027,500	667,068	403,200	251,713	1,430,700	918,781	679,966
<b>Allocations (Note 14)</b>							
Operating activities		11,279		6,425		17,704	9,487
Restricted operating surplus		10,150				10,150	24,116
Financial reserves and reserved funds (2)	254,600	255,026	136,100	171,417	390,700	426,443	343,716
	254,600	276,455	136,100	177,842	390,700	454,297	377,319
<b>Deficit of capital asset activities for tax purposes for the year</b>		(132,972)		(8,884)		(141,856)	(80,928)

<sup>1</sup> The revenues include transfers of \$21.5 million (\$46.4 million in 2017) equal to the municipal administration specific quota share with respect to the infrastructure work completed under urban agglomeration responsibilities eligible for financial assistance under the gas tax and Québec government contribution program (TECQ) and under the Building Canada Fund – Québec (BCFQ).

<sup>2</sup> The allocation of \$171.4 million (\$142.2 million in 2017) presented in urban agglomeration responsibilities includes an amount of \$10.0 million (\$7.6 million in 2017) from local responsibilities.

**Financial Information of the Municipal Administration**  
As at December 31, 2018

**TABLE 8 – NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY**

	2018		
	Local responsibilities	Urban agglomeration responsibilities	Total
<b>Accumulated surplus</b>			
Unrestricted operating surplus	312,582	(96,760)	<b>215,822</b>
Restricted operating surplus	370,318	6,729	<b>377,047</b>
Financial reserves and reserved funds	55,846	26,797	<b>82,643</b>
Deficit of capital asset activities	(150,790)	(100,236)	<b>(251,026)</b>
Recognized expenditures to be taxed or funded	(1,211,605)	27,539	<b>(1,184,066)</b>
Net investment in capital assets			<b>6,054,329</b>
			<b>5,294,749</b>
<b>Breakdown of different items</b>			
<b>Allocated operating surplus</b>			
Allocation to the following year	4,800		<b>4,800</b>
Restricted surplus - Boroughs	205,253		<b>205,253</b>
Restricted surplus - Special projects	100,407	6,729	<b>107,136</b>
Restricted surplus - Other purposes	59,858		<b>59,858</b>
	370,318	6,729	<b>377,047</b>
<b>Financial reserves and reserved funds</b>			
Financial reserves			
Water	13,751	21,586	<b>35,337</b>
Road network	30,245	4,293	<b>34,538</b>
Capital assets	70	212	<b>282</b>
	44,066	26,091	<b>70,157</b>
Reserved funds			
Working capital	3,768		<b>3,768</b>
Balance on hand of closed-loan by-laws	1,477	706	<b>2,183</b>
Parking areas	6,218		<b>6,218</b>
Other	317		<b>317</b>
	11,780	706	<b>12,486</b>
	55,846	26,797	<b>82,643</b>
<b>Recognized expenditures to be taxed or funded</b>			
Employee future benefits			
Pension plans	(36,443)	142,299	<b>105,856</b>
Other plans	(96,320)	(9,914)	<b>(106,234)</b>
	(132,763)	132,385	<b>(378)</b>
Environmental liability	(36,800)		<b>(36,800)</b>
QST transitional measure	(4,000)	(4,940)	<b>(8,940)</b>
Long-term financing of operating activities	(1,038,042)	(99,906)	<b>(1,137,948)</b>
	(1,211,605)	27,539	<b>(1,184,066)</b>

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(in thousands of dollars)

2017

	Local responsibilities	Urban agglomeration responsibilities	Total
<b>Accumulated surplus</b>			
Unrestricted operating surplus	317,448	(81,874)	235,574
Restricted operating surplus	264,872	7,507	272,379
Financial reserves and reserved funds	88,155	66,797	154,952
Deficit of capital asset activities	(17,818)	(91,352)	(109,170)
Recognized expenditures to be taxed or funded	(1,231,626)	30,402	(1,201,224)
Net investment in capital assets			5,510,426
			4,862,937
<b>Breakdown of different items</b>			
<b>Allocated operating surplus</b>			
Allocation to the following year			
Restricted surplus - Boroughs	192,253		192,253
Restricted surplus - Special projects	17,098	7,444	24,542
Restricted surplus - Other purposes	55,521	63	55,584
	264,872	7,507	272,379
<b>Financial reserves and reserved funds</b>			
Financial reserves			
Water	27,041	31,393	58,434
Road network	38,870	4,488	43,358
Capital assets	10,069	30,210	40,279
	75,980	66,091	142,071
Reserved funds			
Working capital	3,826		3,826
Balance on hand of closed-loan by-laws	1,829	706	2,535
Parking areas	6,144		6,144
Other	376		376
	12,175	706	12,881
	88,155	66,797	154,952
<b>Recognized expenditures to be taxed or funded</b>			
Employee future benefits			
Pension plans	(43,833)	147,265	103,432
Other plans	(96,320)	(9,914)	(106,234)
	(140,153)	137,351	(2,802)
Environmental liability	(38,400)		(38,400)
QST transitional measure	(5,000)	(17,540)	(22,540)
Long-term financing of operating activities	(1,048,073)	(89,409)	(1,137,482)
	(1,231,626)	30,402	(1,201,224)

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2018

**TABLE 9 – NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY**

	2018	
	Local responsibilities	
	Budget	Actual
<b>Remuneration</b>		
Elected officials	10,606	9,845
Employees	830,594	852,414
<b>Benefits costs</b>		
Elected officials	4,761	4,907
Employees	287,746	276,204
<b>Transportation and communication</b>	30,047	28,006
<b>Professional, technical and other services</b>		
Professional fees	44,768	42,181
Purchase of technical services	282,275	248,934
Other	3,981	3,780
<b>Leasing, maintenance and repairs</b>		
Leasing	82,782	72,739
Maintenance and repairs	75,101	59,270
<b>Durable goods</b>		
Construction	7,189	17,040
Other durable goods	1,592	342
<b>Non-durable goods</b>		
Delivery of public services	46,037	45,590
Other non-durable goods	111,442	111,195
<b>Financing expenses</b>		
Interest and other charges on long-term debt borne by:		
The municipality	226,893	222,722
Government of Québec and its enterprises	14,816	17,763
Other third parties	24,582	22,933
Other financing expenses	1,310	1,034
<b>Contributions to organizations</b>		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,977,444	1,974,506
Quota shares - Société de transport de Montréal		
Quota shares - Communauté métropolitaine de Montréal	28,209	27,891
Quota shares - Autorité régionale de transport métropolitain		
Other	12,827	13,526
Government organizations		
Agence métropolitaine de transport		
Other		
Other organizations	93,042	100,855
<b>Other items</b>		
Doubtful account or bad debts	8,977	12,712
Other	(177,626)	(164,722)
	4,029,395	4,001,667

<sup>1</sup> Eliminations refer to interjurisdictional transactions.

(in thousands of dollars)

2018						2017
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				10,606	9,845	10,511
890,230	922,416			1,720,824	1,774,830	1,771,895
				4,761	4,907	4,735
306,624	299,548			594,370	575,752	625,218
7,963	6,927			38,010	34,933	39,238
19,780	15,641			64,548	57,822	63,023
80,405	84,847	(627)	(1,533)	362,053	332,248	316,261
1,096	1,050			5,077	4,830	4,866
23,718	20,457	(464)	(440)	106,036	92,756	92,038
23,416	20,304	(322)	(1,188)	98,195	78,386	70,309
6,222	7,094			13,411	24,134	17,550
53	7,896	(53)	(309)	1,592	7,929	3,922
40,649	38,535			86,686	84,125	82,636
49,534	43,642			160,976	154,837	157,992
85,338	81,807			312,231	304,529	297,693
21,963	27,150			36,779	44,913	45,894
32,278	23,746			56,860	46,679	45,076
106	10			1,416	1,044	1,126
		(1,977,444)	(1,974,506)			484,666
11,568	11,437			39,777	39,328	39,113
574,300	551,450			574,300	551,450	37,536
35,632	35,650			48,459	49,176	45,650
						26,020
15,677	15,492			15,677	15,492	30,583
55,032	35,775			148,074	136,630	190,478
11,080	10,752			20,057	23,464	39,014
239,511	238,996			61,885	74,274	45,147
2,532,175	2,500,622	(1,978,910)	(1,977,976)	4,582,660	4,524,313	4,588,190





Municipal  
Administration  
Financial Reporting

2018

Water Management

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2018

**TABLE 10 – NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES RELATED TO WATER MANAGEMENT  
BY RESPONSIBILITY**

2018		
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Quota shares - Water service		
Quota shares - Supply of drinking water		
Quota shares - TECQ Investment Financing		
Quota shares - FCCQ Investment Financing		
Quota shares - Rates		
Wastewater fees and the sale of Charlemagne drinking water		
Water tax service	336,797	336,952
Flat rate and meter fees	24,147	25,866
Revenues for delegated agglomeration activities	195	273
Other revenues from local sources	1,226	1,443
Services rendered		40
	362,365	364,574
<b>Expenditures</b>		
Quota shares for financing urban agglomeration activities	189,313	186,375
Expenditures	112,872	114,487
	302,185	300,862
<b>Surplus before financing and allocations</b>	60,180	63,712
<b>Financing</b>		
Repayment of long-term debt (1)	(25,394)	(28,229)
<b>Allocations (Note 14)</b>		
Restricted operating surplus		
Recognized expenditures to be taxed or funded	(375)	(512)
Water financial reserve	(34,411)	(34,971)
	(34,786)	(35,483)
<b>Operating surplus (deficit) for tax purposes for the year</b>		

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

<sup>2</sup> Interjurisdictional transactions have been eliminated.

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(in thousands of dollars)

2018						2017
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
129,297	129,297	(106,652)	(106,653)	22,645	<b>22,644</b>	21,128
91,372	87,843	(79,427)	(75,937)	11,945	<b>11,906</b>	11,055
3,919	3,919			3,919	<b>3,919</b>	3,445
2,279	2,279			2,279	<b>2,279</b>	1,158
3,275	4,072	(3,234)	(3,786)	41	<b>286</b>	416
4,217	4,346			4,217	<b>4,346</b>	4,582
				336,797	<b>336,952</b>	301,140
				24,147	<b>25,866</b>	24,545
		(195)	(273)			
1,443	503		(3)	2,669	<b>1,943</b>	2,026
	805				<b>845</b>	884
235,802	233,064	(189,508)	(186,652)	408,659	<b>410,986</b>	370,379
		(189,313)	(186,375)			
176,130	170,634	(195)	(277)	288,807	<b>284,844</b>	285,540
176,130	170,634	(189,508)	(186,652)	288,807	<b>284,844</b>	285,540
59,672	62,430			119,852	<b>126,142</b>	84,839
(49,504)	(47,022)			(74,898)	<b>(75,251)</b>	(70,853)
						370
				(375)	<b>(512)</b>	(481)
(10,168)	(10,515)			(44,579)	<b>(45,486)</b>	(18,768)
(10,168)	(10,515)			(44,954)	<b>(45,998)</b>	(18,879)
	4,893				<b>4,893</b>	(4,893)



# Financial Information of the Municipal Administration

## Fiscal Year Ended December 31, 2018

TABLE 11 – NON-CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES

RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

(in thousands of dollars)

	2018						2017
	Local responsibilities		Urban agglomeration responsibilities		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Actual
<b>Revenues</b>							
Transfers	32,087	(3,711)	153,886	117,710	185,973	113,999	220,989
Other revenues		649				649	1,348
	32,087	(3,062)	153,886	117,710	185,973	114,648	222,337
<b>Acquisition of capital assets</b>							
Drinking water production			162,104	148,870	162,104	148,870	133,292
Wastewater treatment			14,329	103,487	14,329	103,487	39,571
Water and wastewater - Secondary infrastructures	158,350	217,872	207,613	8,333	365,963	226,205	163,610
Buildings		13,124		1,487		14,611	28,788
	158,350	230,996	384,046	262,177	542,396	493,173	365,261
<b>Deficit before financing and allocations</b>	(126,263)	(234,058)	(230,160)	(144,467)	(356,423)	(378,525)	(142,924)
<b>Financing</b>							
Long-term financing of capital asset activities	83,817	(52)	204,341	29,725	288,158	29,673	
<b>Allocations (Note 14)</b>							
Water financial reserve (1)	42,446	38,669	25,819	30,907	68,265	69,576	77,074
	42,446	38,669	25,819	30,907	68,265	69,576	77,074
<b>Deficit of capital asset activities for tax purposes for the year</b>		(195,441)		(83,835)		(279,276)	(65,850)

<sup>1</sup> The allocation of \$30.9 million (\$69.9 million in 2017) presented in urban agglomeration responsibilities includes an amount of \$10.0 million (\$7.6 million in 2017) from local responsibilities.



Municipal  
Administration  
Financial Reporting

2018

Breakdown of  
Mixed Expenditures

## **INDEPENDENT AUDITORS' 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 Montreal Agglomeration Council

### **Opinion**

We have audited the accompanying Table of Breakdown of Mixed Expenditures of Ville de Montréal («City») between local responsibilities and urban agglomeration responsibilities for the year ended December 31, 2018 and supplementary notes, including a summary of significant accounting policies (hereinafter referred to as the « Table of Breakdown of Mixed Expenditures »).

In our opinion, the financial information presented into the Table of Breakdown of Mixed Expenditures of the City for the year ended December 31, 2018, has been prepared by management, in all material respects, based on by-law RCG06-54 adopted by the Montreal Agglomeration Council on December 13, 2006 and its subsequent changes (hereinafter "the regulatory requirements").

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards («CGAAS») of Canada. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Table of Breakdown of Mixed Expenditures* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the Table of Breakdown of Mixed Expenditures in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter-Basis of Accounting**

We draw attention to Note 3 to the Table of Breakdown of Mixed Expenditures, which describes the basis of accounting applied. The Table of Breakdown of Mixed Expenditures has been prepared to assist the City to comply with the regulatory requirements. As a result, the Table of Breakdown of Mixed Expenditures may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management for the Table of 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.

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



### **Auditors' Responsibilities for the Table of Breakdown of Mixed Expenditures**

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

As part of an audit in accordance with CGAAS of Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and related disclosures made by management.

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

*Michèle Galipeau, CPA auditor, CA.*

*Deloitte LLP<sup>1</sup>*

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Michèle Galipeau, CPA auditor, CA  
Auditor General of the Ville de Montréal

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

Montréal  
April 11, 2019

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2018

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

<b>2018</b>		
<b>Local responsibilities</b>		
	<b>Budget</b>	<b>Actual</b>
<b>Expenditures</b>		
General administration	143,324	130,581
Transportation	56,001	61,186
Environmental hygiene	20,776	21,348
Health and welfare	635	917
Urban planning and development	7,864	7,720
Recreation and culture	23,107	24,381
<b>Total expenditures</b>	<b>251,707</b>	<b>246,133</b>

<sup>1</sup> Eliminations refer to interjurisdictional transactions.

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(in thousands of dollars)

2018						2017
Urban agglomeration responsibilities		Eliminations (1)		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
157,846	161,741	(392)	(108)	300,778	<b>292,214</b>	287,728
1,609	1,840		(3)	57,610	<b>63,023</b>	36,277
5,722	6,637		(1)	26,498	<b>27,984</b>	24,103
2,184	2,204			2,819	<b>3,121</b>	3,878
5,083	5,000			12,947	<b>12,720</b>	22,498
4,641	5,191		(2)	27,748	<b>29,570</b>	25,242
177,085	182,613	(392)	(114)	428,400	<b>428,632</b>	399,726

## **1. MIXED EXPENDITURES**

*An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, 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.

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## **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 31, 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 2018 was 9.90%.

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## **3. SIGNIFICANT ACCOUNTING POLICIES**

The expenditures presented in the Breakdown of Mixed Expenditures Table are extracted from the consolidated financial statements of the Ville de Montréal for the year ended December 31, 2018, which are prepared in accordance with Canadian public sector accounting standards. Note 2 to the consolidated financial statements describes the accounting policies applied.

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

Published by the Ville de Montréal  
Service des finances

630, boulevard René-Lévesque Ouest  
Montréal (Québec) H3B 1S6  
Canada

[ville.montreal.qc.ca/finances](http://ville.montreal.qc.ca/finances)

Legal deposit  
2nd quarter 2019  
Bibliothèque et Archives nationales  
du Québec  
Bibliothèque et Archives Canada

978-2-7647-1693-9  
Rapport financier annuel  
Printed document, French

978-2-7647-1694-6  
Rapport financier annuel  
PDF, French

978-2-7647-1695-3  
Annual Financial Report  
Printed document, English

978-2-7647-1696-0  
Annual Financial Report  
PDF, English

Graphic design:  
Ville de Montréal  
Service des communications  
22688 (03-19)

Printed in Canada

This document is printed on  
recycled paper.



Montréal 