



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

2017



Montréal 



# **Annual Financial Report**

Fiscal Year Ended December 31, 2017

# 2017

Deposited at the City Clerk's office of the  
Ville de Montréal on April 18, 2018



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Introduction

2017





## MESSAGE FROM THE MAYOR AND THE CHAIRMAN OF THE EXECUTIVE COMMITTEE



Dear Fellow Montrealers,

Fiscal 2017 is unique, as this is our administration's very first financial report. Presenting a financial report of the previous administration's final year is the last step marking the change in Montréal's leadership.

The 2017 financial report shows an overall surplus of \$139.5 million, which is similar to the 2016 surplus. Part of this surplus is attributable to extraordinary items, in particular a notable increase in transfers, which rose by more than \$105 million to total \$350 million in 2017.

The Quebec government's transfer of the land of the former Hippodrome site to the Ville de Montréal resulted in a \$33.6 million gain. A recreation and culture transfer that was \$24.1 million above budget was added to the total, as was a \$9.4 million grant received from the Revi-Sols program to decontaminate the Pointe-Saint-Charles industrial park. These results do not include the agreement with Réflexe Montréal, which produces additional annual net revenue of \$8.6 million. All of these factors contributed to the increase in transfers.

A healthy real estate market helped the city to generate \$58.5 million in additional revenue from property transfer fees and \$25.6 million in additional revenues from the issuance of building permits.

As for expenditures, it is important to note that, again in 2017, "snow-related" expenditures were up, and the diverse mix of winter weather we experienced are unlikely to dissipate. In 2018, snow-related expenditures have already eaten into our financial leeway.

The city has continued to increase the cash payment on its capital asset investments, raising it 21.1% from \$311.5 million in 2016 to \$377.3 million in 2017. In all for 2017, capital asset expenditures stood at \$1,415 million, up \$251 million (21.6%) from \$1,164 million in 2016.

Montréal is fully engaged in the economic growth: employment is up, investments continue to grow, and the powers and responsibilities obtained by the city—not to mention those it will continue to receive under its new status as metropolis—will further strengthen our economic and social status.

Still, some external factors call for prudence. While Montréal is economically resilient thanks to its diverse employment sectors and economic hubs, it is not unshakable. The city is not entirely immune to potential swings in the stock market. Ten years after the last economic crisis, at a time when uncertainty hovers over the future of international trade agreements, and given recent stock market fluctuations, our administration will take the necessary measures to protect Montréal's economy and its workers.

Our workers remain our primary focus. Our administration is therefore committed to establishing harmonious and respectful labour relations to create an environment conducive to the active mobilization of our teams. We are also committed to maintaining disciplined and transparent financial management that is respectful of Montréalers' capacity to pay.

In closing, we would like to thank the city employees who, through their work and dedication, are invaluable to making Montréal a more efficient, sustainable and innovative city and to helping build the Montréal of tomorrow.

Mayor of Montréal,

Chairman of the Executive Committee,



Valérie Plante



Benoit Dorais



## Message from the Treasurer

Ladies,  
Gentlemen,

We are pleased to present to you the Ville de Montréal Annual Financial Report for the year ended December 31, 2017. The first part of this report presents a consolidated version of the city's financial data, namely data for the entity formed by the Ville de Montréal and the organizations included in its reporting entity. The second part contains an analysis of the municipal administration's financial information (excluding the organizations in its reporting entity).

The Ville de Montréal's 2017 fiscal year shows a non-consolidated operating surplus for tax purposes of \$139.5 million. Sound management of public funds, prudent and responsible management of the city's debt, and compliance with the fiscal 2017 financial outlook all contributed positively to these results.

The \$139.5 million surplus (\$139.1 million surplus in 2016) stems mainly from higher revenues compared to the previously submitted operating budget. This surplus consists of a \$225.7 million surplus in the city council budget and an \$86.2 million deficit in the urban agglomeration budget. For the boroughs, the 2017 surplus totalled \$52.3 million.

The city's non-consolidated total revenues amounted to \$5,292.2 million, up \$188.6 million (3.7%) from the previously submitted operating budget. This increase was driven, among other factors, by an active real estate market, which generated additional revenues of \$58.5 million from property transfer fees and of \$25.6 million from issuances of building permits. It was also due to a \$105.4 million increase in government transfers and to \$18.9 million in additional revenues from expropriation agreements concluded for the Champlain Bridge and Turcot Interchange projects. This increase was partly offset by changes in the other tax revenue categories, in particular a \$22.4 million decrease in fines and penalties.

The city's non-consolidated operating expenditures, financing expenditures and allocation expenditures totalled \$5,152.7 million, a \$49.1 million (1.0%) increase from the previously submitted operating budget. This increase stems mainly from a \$113.1 million increase in remuneration and employer contributions and an \$83.4 million increase in contributions to different organizations. However, the increase was tempered by \$63.3 million in savings on professional fees and technical services, on leasing and maintenance fees, non durable goods and on financing fees as well as by additional allocations of \$71.0 million essentially from the surplus accumulated from previous years to finance various projects and contributions.

In closing, we offer our sincere thanks to all of the city's employees, who made a positive contribution to these results.

Treasurer of the Ville de Montréal,



Yves Courchesne, CPA, CGA

# Introduction – Financial Information of the Municipal Administration

## Fiscal Year Ended December 31, 2017

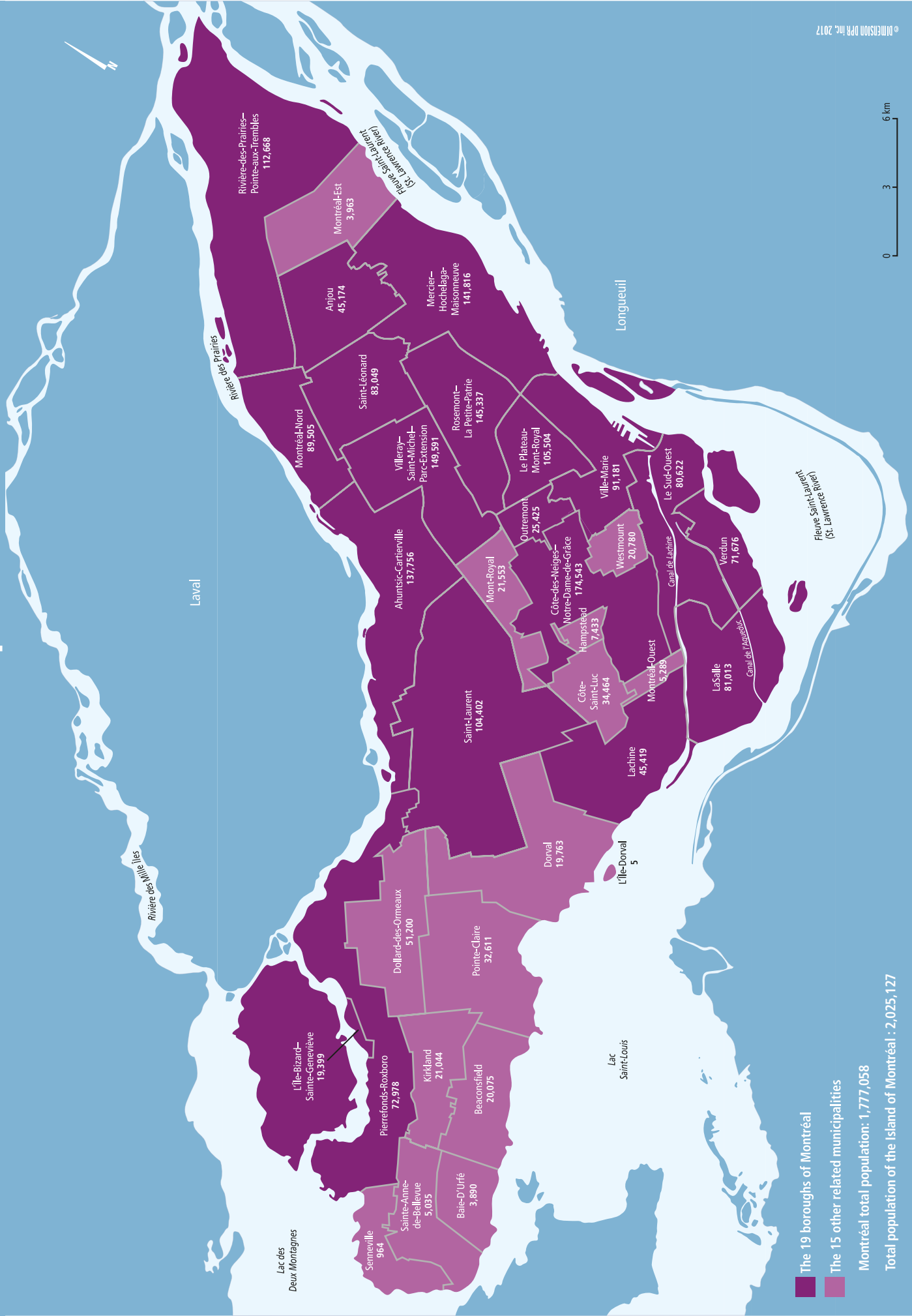
### NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

(in thousands of dollars)

	2017						2016	
	Local responsibilities			Urban agglomeration responsibilities			Eliminations	
	Budget	Actual	Budget	Budget	Actual	Actual	Budget	Actual
<b>Revenues</b>								
Taxes	3,295,353	3,294,737	46,690		48,704		3,342,043	3,343,441
Payments in lieu of taxes	256,495	260,024					256,495	260,024
Quota shares			2,249,175		2,245,365	(1,845,499)	403,676	397,247
Transfers	151,167	239,889	94,110		110,813		245,277	350,702
Services rendered	272,911	275,466	60,338		56,069	(14,172)	319,077	314,394
Fee collection	179,800	263,953	1,969		1,929		181,769	265,882
Fines and penalties	103,016	93,742	92,190		79,072		195,206	172,814
Interest	75,939	81,943	62,253		62,627		138,192	163,733
Other revenues	19,505	36,147	2,375		6,984		21,880	43,131
	4,354,186	4,545,901	2,609,100		2,611,563	(1,859,671)	5,103,615	5,292,205
<b>Operating expenditures</b>								
General administration	499,211	446,036	350,999		334,791	(13,377)	836,833	766,300
Public security	8,138	14,074	983,491		1,087,347	(333)	991,296	1,100,761
Transportation	406,642	440,856	565,690		569,841	(107)	972,225	1,010,174
Environmental hygiene	205,477	196,652	212,178		211,044	(29)	417,626	406,660
Health and welfare	66,687	64,056	36,649		25,857		103,336	89,913
Urban planning and development	144,511	145,622	57,081		63,958	(293)	201,299	209,238
Recreation and culture	452,106	501,025	96,042		114,383	(33)	548,115	615,355
Financing expenses	255,514	255,353	140,829		134,436		396,343	389,789
	2,038,286	2,063,674	2,442,959		2,541,657	(14,172)	4,467,073	4,588,190
<b>Quota shares for financing</b>								
urban agglomeration activities	1,845,499	1,848,118				(1,845,499)		
<b>Operating surplus before financing and allocations</b>	470,401	634,109	186,141		69,906		636,542	704,015
<b>Financing</b>								
Repayment of long-term debt	(291,108)	(290,394)	(173,790)		(173,459)		(464,898)	(463,853)
<b>Allocations</b>								
Capital asset activities		(6,672)			(2,815)			(9,487)
Restricted operating surplus	57,618	131,487	2,550		10,508		60,168	141,995
Financial reserves and reserved funds	(208,203)	(210,713)	(113,198)		(113,415)		(321,401)	(324,128)
Recognized expenditures to be taxed or funded	(28,708)	(32,137)	118,297		123,105		89,589	90,968
	(179,293)	(118,035)	7,649		17,383		(171,644)	(100,652)
<b>Operating surplus (deficit) for tax purposes for the year</b>		225,680			(86,170)			139,510



# The Island of Montréal and its Population







# The Municipal Organization 2017

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.

## **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

2017



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

The Auditor General of Ville de Montréal and the independent auditor, Deloitte LLP, have audited the consolidated financial statements and presented the following reports.



Yves Courchesne  
Treasurer of Ville de Montréal



Alain Marcoux  
Acting City Manager

April 13, 2018

## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



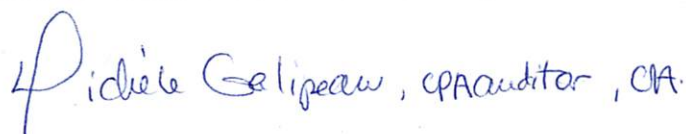
*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2017 and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Observations*

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

Auditor General of the Ville de Montréal,



Michèle Galipeau, CPA auditor, CA  
Montréal  
April 13, 2018

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2017 and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Observations**

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

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

April 13, 2018

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



# Consolidated Statement of Financial Position

As at December 31, 2017

		<i>(in thousands of dollars)</i>	
	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	<b>3</b>	<b>279,630</b>	315,352
Investments	<b>3</b>	<b>3,074,119</b>	3,474,407
Accounts receivable	<b>4</b>	<b>4,205,775</b>	3,663,112
Assets held for sale		<b>5,491</b>	13,518
Loans	<b>5</b>	<b>32,830</b>	29,130
		<b>7,597,845</b>	7,495,519
<b>LIABILITIES</b>			
Temporary loans	<b>6</b>	<b>638,299</b>	378,127
Accounts payable, provisions and accrued liabilities	<b>7</b>	<b>1,833,979</b>	1,748,232
Deferred revenues	<b>8</b>	<b>162,831</b>	218,520
Long-term debt	<b>9</b>	<b>11,277,665</b>	10,891,752
Employee future benefits liability	<b>10</b>	<b>458,916</b>	410,815
		<b>14,371,690</b>	13,647,446
<b>NET DEBT</b>		<b>(6,773,845)</b>	(6,151,927)
<b>NON-FINANCIAL ASSETS</b>			
Capital assets	<b>11</b>	<b>14,724,486</b>	13,149,778
Assets held for sale		<b>130,583</b>	62,380
Inventories		<b>85,582</b>	76,710
Other non-financial assets	<b>12</b>	<b>268,587</b>	422,742
		<b>15,209,238</b>	13,711,610
<b>ACCUMULATED SURPLUS</b>	<b>13</b>	<b>8,435,393</b>	7,559,683
Commitments and contingencies	<b>17</b>		

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

# Consolidated Statement of Operations

Fiscal Year Ended December 31, 2017

(in thousands of dollars)			
	Notes	2017	2016
		Budget	Actual
<b>Revenues</b>			
Taxes		3,321,733	3,322,152
Payments in lieu of taxes		256,495	260,024
Quota shares		403,718	397,247
Transfers	14	1,454,828	1,496,699
Services rendered		1,015,907	1,068,890
Fee collection		181,769	265,882
Fines and penalties		195,206	172,814
Interest	15	133,838	138,084
Other revenues		118,010	121,180
		7,081,504	7,242,972
<b>Expenditures</b>			
General administration		840,564	771,379
Public security		1,028,355	1,137,711
Transportation		2,157,428	2,202,791
Environmental hygiene		639,338	627,979
Health and welfare		153,643	136,835
Urban planning and development		236,686	246,736
Recreation and culture		676,287	754,303
Financing expenses		505,961	489,528
		6,238,262	6,367,262
<b>Surplus for the year</b>		<u>843,242</u>	875,710
<b>Accumulated surplus at beginning of year</b>			7,559,683
<b>Accumulated surplus at end of year</b>			8,435,393

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, 2017

(in thousands of dollars)			
	Notes	2017	2017
		Budget	Actual
			Actual
<b>Surplus for the year</b>		843,242	875,710
Change in capital assets			
Acquisition	11	(2,717,906)	(2,523,071)
Proceeds from sale		3,325	32,196
Amortization	11	887,086	937,965
Gain on sale		(3,325)	(21,798)
		(1,830,820)	(1,574,708)
Change in assets held for sale			(68,203)
Change in inventories			(8,872)
Change in other non-financial assets			154,155
			77,080
<b>Change in net debt</b>		(987,578)	(621,918)
<b>Net debt at beginning of year</b>		(6,151,927)	(6,151,927)
<b>Net debt at end of year</b>		(7,139,505)	(6,773,845)

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, 2017

(in thousands of dollars)			
	Note	2017	2016
<b>Operating activities</b>			
Surplus for the year		875,710	403,343
Items not affecting cash			
Amortization of capital assets	11	937,965	865,971
Gain on sale of capital assets		(21,798)	(2,337)
		1,791,877	1,266,977
Change in non-cash items			
Accounts receivable		(542,663)	(261,278)
Assets held for sale		(60,176)	7,488
Loans		(3,700)	(10,900)
Accounts payables, provisions, and accrued liabilities (1)		14,910	38,683
Deferred revenues		(55,689)	29,427
Employee future benefits liability		48,101	135,080
Inventories		(8,872)	3,001
Other non-financial assets		154,155	101,021
		1,337,943	1,309,499
<b>Capital investing activities</b>			
Acquisition of capital assets (1)		(2,452,234)	(1,737,735)
Proceeds from sale of capital assets		32,196	5,534
		(2,420,038)	(1,732,201)
<b>Other investing activities</b>			
Acquisition of investments		(569,173)	(534,388)
Proceeds from sale of investments		969,461	210,747
		400,288	(323,641)
<b>Financing activities</b>			
Proceeds from long-term debt		1,403,129	935,933
Repayment of long-term debt, net of refinancings		(928,049)	(504,358)
Bond redemption by refinancing		(89,167)	(101,829)
Net change in temporary loans		260,172	161,291
		646,085	491,037
<b>Decrease in cash and cash equivalents</b>		<b>(35,722)</b>	<b>(255,306)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>315,352</b>	<b>570,658</b>
<b>Cash and cash equivalents at end of year</b>		<b>279,630</b>	<b>315,352</b>

<sup>1</sup> The cost of unpaid capital assets is \$497.5 million as at December 31, 2017 (\$426.6 million in 2016). The change in this cost between 2017 and 2016 is subtracted 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, 2017

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION					(in thousands of dollars)
	2017				2016
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	151,637	127,993		279,630	315,352
Investments	2,546,834	527,285		3,074,119	3,474,407
Accounts receivable	2,701,674	2,240,979	(736,878)	4,205,775	3,663,112
Assets held for sale	1,592	3,899		5,491	13,518
Loans	33,816	3,220	(4,206)	32,830	29,130
	5,435,553	2,903,376	(741,084)	7,597,845	7,495,519
<b>LIABILITIES</b>					
Temporary loans		638,299		638,299	378,127
Accounts payable, provisions and accrued liabilities	1,566,572	367,477	(100,070)	1,833,979	1,748,232
Deferred revenues	161,881	15,000	(14,050)	162,831	218,520
Long-term debt	8,604,927	3,313,702	(640,964)	11,277,665	10,891,752
Employee future benefits liability	316,048	142,868		458,916	410,815
	10,649,428	4,477,346	(755,084)	14,371,690	13,647,446
<b>NET DEBT</b>	(5,213,875)	(1,573,970)	14,000	(6,773,845)	(6,151,927)
<b>NON-FINANCIAL ASSETS</b>					
Capital assets	9,879,569	4,844,917		14,724,486	13,149,778
Assets held for sale	116,029	14,554		130,583	62,380
Inventories	43,561	42,021		85,582	76,710
Other non-financial assets	37,653	244,934	(14,000)	268,587	422,742
	10,076,812	5,146,426	(14,000)	15,209,238	13,711,610
<b>ACCUMULATED SURPLUS</b>					
Unrestricted operating surplus (deficit)	235,574	(4,604)		230,970	196,384
Restricted operating surplus	272,379	75,072		347,451	404,068
Financial reserves and reserved funds	154,952	14,384		169,336	189,529
Deficit from capital asset activities	(109,170)	(433,851)	(61,263)	(604,284)	(223,046)
Recognized expenditures to be taxed or funded	(1,201,224)	(110,113)	61,444	(1,249,893)	(1,219,191)
Net investment in capital assets	5,510,426	4,031,568	(181)	9,541,813	8,211,939
	4,862,937	3,572,456		8,435,393	7,559,683

## Segment Disclosures

Fiscal Year Ended December 31, 2017

### SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION

(in thousands of dollars)

	2017				2016
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Revenues</b>					
<b>Operating</b>					
Taxes	3,343,441		(21,289)	3,322,152	3,241,764
Payments in lieu of taxes	260,024			260,024	252,329
Quota shares	397,247	455,600	(455,600)	397,247	404,753
Transfers	350,702	215,127		565,829	481,458
Services rendered	314,394	845,755	(91,259)	1,068,890	991,940
Fee collection	265,882			265,882	222,776
Fines and penalties	172,814			172,814	163,733
Interest	144,570	15,411	(21,897)	138,084	133,705
Other revenues	35,519	126,254	(48,941)	112,832	97,978
	5,284,593	1,658,147	(638,986)	6,303,754	5,990,436
<b>Capital Assets</b>					
Quota shares		30,066	(30,066)		
Transfers	268,355	662,515		930,870	667,348
Developers' contributions	1,558			1,558	250
Other revenues	6,790			6,790	6,846
	276,703	692,581	(30,066)	939,218	674,444
	5,561,296	2,350,728	(669,052)	7,242,972	6,664,880
<b>Expenditures</b>					
General administration	780,880		(9,501)	771,379	759,778
Public security	1,137,711			1,137,711	1,083,256
Transportation	1,262,196	1,526,982	(586,387)	2,202,791	2,223,221
Environmental hygiene	628,802		(823)	627,979	653,038
Health and welfare	90,444	57,760	(11,369)	136,835	129,863
Urban planning and development	241,481	12,576	(7,321)	246,736	243,425
Recreation and culture	725,925	60,132	(31,754)	754,303	686,163
Financing expenses	389,789	121,636	(21,897)	489,528	482,793
	5,257,228	1,779,086	(669,052)	6,367,262	6,261,537
<b>Surplus for the year</b>	304,068	571,642		875,710	403,343



## Segment Disclosures

Fiscal Year Ended December 31, 2017

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

(in thousands of dollars)

		2017				2016
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Surplus for the year</b>	843,242	304,068	571,642		<b>875,710</b>	403,343
Less: revenues from capital asset activities	(966,040)	(276,703)	(692,581)	30,066	<b>(939,218)</b>	(674,444)
<b>Operating (deficit) surplus before reconciliation for tax purposes for the year</b>	(122,798)	27,365	(120,939)	30,066	<b>(63,508)</b>	(271,101)
<b>Reconciliation for tax purposes</b>						
<b>Capital assets</b>						
Proceeds from sale	3,325	26,407	5,789		<b>32,196</b>	5,534
Amortization	887,086	669,038	268,927		<b>937,965</b>	865,971
Gain on sale	(3,325)	(18,795)	(3,003)		<b>(21,798)</b>	(2,337)
	887,086	676,650	271,713		<b>948,363</b>	869,168
<b>Financing</b>						
Repayment of long-term debt	(582,687)	(463,853)	(74,210)	(962)	<b>(539,025)</b>	(526,106)
<b>Allocations (Note 13)</b>						
Capital asset activities	(5,170)	(9,487)	(40,437)	(1,000)	<b>(50,924)</b>	(37,423)
Restricted operating surplus	60,693	141,995	1,327		<b>143,322</b>	68,455
Financial reserves and reserved funds	(321,401)	(324,128)	(1,327)		<b>(325,455)</b>	(231,921)
Recognized expenditures to be taxed or funded	94,000	90,968	(32,162)	(28,104)	<b>30,702</b>	269,169
	(171,878)	(100,652)	(72,599)	(29,104)	<b>(202,355)</b>	68,280
<b>Operating surplus for tax purposes for the year</b>	9,723	139,510	3,965		<b>143,475</b>	140,241

## Segment Disclosures

Fiscal Year Ended December 31, 2017

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

(in thousands of dollars)

(in thousands of dollars)

	2017					2016
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	966,040	276,703	692,581	(30,066)	939,218	674,444
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(175,100)	(109,971)			(109,971)	(62,538)
Public security	(68,400)	(41,339)			(41,339)	(49,351)
Transportation	(1,344,692)	(498,667)	(1,054,595)		(1,553,262)	(1,042,567)
Environmental hygiene	(521,000)	(378,227)			(378,227)	(385,647)
Health and welfare	(91,739)	(199)	(53,521)		(53,720)	(38,632)
Urban planning and development	(131,400)	(52,712)	(24)		(52,736)	(43,344)
Recreation and culture	(385,575)	(333,801)	(15)		(333,816)	(228,563)
	(2,717,906)	(1,414,916)	(1,108,155)		(2,523,071)	(1,850,642)
Financing						
Long-term financing of capital asset activities	1,359,656	679,966	103,894		783,860	670,041
Allocations (Note 13)						
Operating activities	5,170	9,487	40,437	1,000	50,924	37,423
Restricted operating surplus		24,116			24,116	10,307
Financial reserves and reserved funds	387,040	343,716			343,716	292,547
	392,210	377,319	40,437	1,000	418,756	340,277
Deficit from capital asset activities						
for tax purposes for the year		(80,928)	(271,243)	(29,066)	(381,237)	(165,880)

## Segment Disclosures

Fiscal Year Ended December 31, 2017

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION					(in thousands of dollars)
	2017				2016
	Municipal administration	Controlled organizations	Eliminations	Total	Total
<b>Remuneration</b>					
Elected officials	10,511	165		10,676	10,225
Employees	1,771,895	716,941	(7,805)	2,481,031	2,362,790
<b>Employer contributions</b>					
Elected officials	4,735	31		4,766	4,204
Employees	625,218	212,183		837,401	1,038,373
<b>Transportation and communication</b>	39,238	155,724		194,962	201,057
<b>Professional, technical and other services</b>					
Professional fees	63,023	20,433		83,456	69,150
Purchase of technical services	316,261	45,968	(16,225)	346,004	295,402
Other	4,866	18,563		23,429	22,081
<b>Leasing, maintenance and repair</b>					
Leasing	92,038	18,711	(20,493)	90,256	88,271
Maintenance and repair	70,309	39,283	(31)	109,561	105,700
<b>Durable goods</b>					
Construction	17,550			17,550	18,940
Other durable goods	3,922			3,922	955
<b>Non-durable goods</b>					
Delivery of public services	82,636	15,376	(4,541)	93,471	94,687
Other non-durable goods	157,992	67,012	(6,265)	218,739	210,381
<b>Financing expenses</b>					
Interest and other charges on long-term debt borne by:					
The municipality	297,693	33,940		331,633	330,127
Government of Québec and its enterprises	45,894	83,318		129,212	125,996
Other third parties	45,076		(21,897)	23,179	22,994
Other financing expenses	1,126	4,378		5,504	3,676
<b>Contributions to organizations</b>					
Municipal organizations					
Quota shares - Société de transport de Montréal	484,666		(484,666)		
Quota shares - Montréal Metropolitan Community	39,113			39,113	37,874
Quota shares - Autorité régionale de transport métropolitain	37,536			37,536	
Other	45,650		(44,265)	1,385	14,909
Government organizations					
Agence métropolitaine de transport	26,020			26,020	58,707
Other	30,583			30,583	14,883
Other organizations	190,478	13,347	(3,676)	200,149	167,594
<b>Amortization of capital assets</b>	669,038	268,927		937,965	865,971
<b>Loss on sale of capital assets</b>					44
<b>Other items</b>					
Doubtful accounts or bad debts	39,014	430		39,444	2,088
Other	45,147	64,356	(59,188)	50,315	94,458
	5,257,228	1,779,086	(669,052)	6,367,262	6,261,537



## **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 13.

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

The significant accounting policies are as follows:

### **a) Principles of consolidation**

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal (the STM), the Société d'habitation et de développement de Montréal (the SHDM), the Technoparc Montréal, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel 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.

## **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, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts 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 expenses.

### **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**

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

**o) Transfer revenues**

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

Revenues related to services rendered are recognized in the Consolidated Statement of Operations 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 expenses**

#### **- 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 five years.

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

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2017, this weighted average remaining service life is 13 years.

The expense 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 expense 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 expense.

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

The pension expense 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) 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 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 charged to the Consolidated Statement of Operations if they are cash items.

### **v) 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.

### **w) Urban agglomeration responsibilities**

Under *An Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: 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.

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

### **x) 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.

### **y) Budget information**

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions.

A comparison with the unconsolidated budget, adopted in December 2016 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

	<b>2017</b>			<b>2016</b>
	<b>Sinking Fund</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
Cash and cash equivalents				
Cash		254,902	254,902	217,870
Cash equivalents		24,728	24,728	97,482
		279,630	279,630	315,352
Investments				
Term deposits and other securities	86,145	346,476	432,621	771,884
Bonds and debentures	2,441,555	199,943	2,641,498	2,702,523
	2,527,700	546,419	3,074,119	3,474,407

Cash equivalents essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 1.14% à 1.28% (0.50% and 0.83% in 2016).

As at December 31, 2017, the fair value of investments was \$3,143.5 million (3,552.9 million in 2016).

As at December 31, 2016, the Sinking Fund and other investments totalled \$2,590.5 million and \$883.9 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 \$676.3 million (\$512.1 million in 2016).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

**3. 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, 2017</b>				
2018	355,955	148,347	504,302	2.06%
2019	44,216	332,086	376,302	3.81%
2020	8,320	415,924	424,244	2.48%
2021	16,812	173,931	190,743	4.00%
2022	7,318	129,399	136,717	2.85%
1 to 5 years	432,621	1,199,687	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%
	432,621	2,641,498	3,074,119	
<b>December 31, 2016</b>				
2017	555,832	419,795	975,627	2.09%
2018	181,958	152,565	334,523	2.18%
2019	15,877	326,276	342,153	3.69%
2020	3,579	404,468	408,047	3.89%
2021	14,638	218,260	232,898	3.67%
1 to 5 years	771,884	1,521,364	2,293,248	2.83%
6 to 10 years		810,443	810,443	3.45%
11 to 15 years		151,864	151,864	3.53%
16 to 20 years		192,732	192,732	3.77%
More than 20 years		26,120	26,120	4.14%
	771,884	2,702,523	3,474,407	

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

	<b>2017</b>	<b>2016</b>
Taxes	108,074	97,720
Government of Canada and its enterprises	294,554	248,114
Government of Québec and its enterprises	3,397,847	2,938,220
Municipal organizations	37,264	7,274
Services rendered and other	368,036	371,784
	<b>4,205,775</b>	<b>3,663,112</b>

An allowance for doubtful accounts of \$123.6 million (\$130.7 million in 2016) has been deducted from accounts receivable.

	<b>2017</b>	<b>2016</b>
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,535,263	2,294,939

The fair value of the receivables to be used to repay long-term debt is \$2,635.1 million (\$2,447.4 million in 2016).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

**4. 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, 2017, are as follows:

		<b>Weighted nominal</b>	
	<b>Receipts</b>	<b>interest rate</b>	<b>Refinancing</b>
<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
	<b>1,836,142</b>	<b>3.46%</b>	<b>699,121</b>
<b>December 31, 2016</b>			
2017	292,916	4.14%	27,477
2018	261,256	4.08%	43,089
2019	252,348	4.02%	16,646
2020	217,247	3.79%	6,304
2021	176,427	3.74%	23,622
1 to 5 years	1,200,194	3.98%	117,138
6 to 10 years	488,370	3.67%	120,355
11 to 15 years	154,049	3.20%	91,568
16 to 20 years	102,700	2.84%	16,433
	<b>1,945,313</b>	<b>3.78%</b>	<b>345,494</b>

## Notes and Tables to the Consolidated Financial Statements

December 31, 2017

### 5. LOANS (in thousands of dollars)

	2017	2016
Loans to PME MTL	24,531	23,482
Loans to a municipal housing corporation	5,079	4,798
Balances of sales prices and other loans	3,220	850
	32,830	29,130

Loans to PME MTL ending in 2021, do not bear interest. An amount of \$3.3 million (\$4.2 million in 2016) 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 \$2.5 million (\$2.8 million in 2016) was deducted from the value of these loans to present them at their discounted nominal value.

As at December 31, 2017, no provision for valuation allowance was recognized (none in 2016).

### 6. TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled \$2,056.0 million as at December 31, 2017 (\$1,777.2 million in 2016).

Of this amount, \$1,736.4 million (\$750.0 million under the limit set by the STM and \$986.4 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, 2017, the nominal value of commercial paper issuances was \$603.3 million (\$367.1 million in 2016) and the average rate on these temporary loans was 1.32% (0.84% in 2016).

The City also has demand lines of credit from different banks totalling \$319.6 million. As at December 31, 2017, the amount of the credit used was \$35.0 million (\$11.0 million in 2016) and bears interest at an average rate of 1.68% (1.08% in 2016).



**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

	2017	2016
Trade accounts payable	593,272	569,102
Salaries, source deductions and employee benefits	549,234	557,651
Accrued interest payable on long-term debt	84,301	82,251
Provisions		
Solid waste landfill closure and post-closure costs (1)	64,926	65,758
Environmental liability (2)	76,806	85,706
Contested valuations	32,292	40,942
Other	108,774	94,356
Deposits and holdbacks	207,274	189,952
Government of Québec and its enterprises (3)	50,643	13,837
Government of Canada and its enterprises	7,584	8,214
Other	58,873	40,463
	1,833,979	1,748,232

<sup>1</sup> The City records a liability for solid waste landfill closure and post-closure cost. Estimated total undiscounted expenditures amounted to \$115.4 million (\$118.2 million in 2016) and the discount rate used was 4% (4% in 2016).

<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 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, 2017, the liability associated with the sites whose clean-up costs have been discounted amounted to \$58.2 million (\$68.4 million in 2016); estimated total undiscounted expenditures, which are expected to be realized until 2044, amount to \$80.1 million (\$89.1 million in 2016); and the discount rate used was 4% (4% in 2016). The liability related to sites for which the period of work could not be determined was \$18.6 million (\$17.3 million in 2016). Potential cost recoveries related to government transfers and the invoicing of partners involved in cleaning up the sites, if they are confirmed and meet all recognition criteria and are recorded as a reduction in liability. The recoveries are estimated at \$9.8 million (none in 2016).

<sup>3</sup> During the year, 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 as a consideration for sharing, between the City and the Government, of the selling price of the land. As at December 31, 2017, the amount payable to the Government of Québec recorded in the City's books was \$38.1 million.

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

	2017	2016
Premium upon issuance of securities	70,228	77,804
Acquisition and development of parks and playing fields	35,252	28,720
Automobile registration taxes	16,002	16,021
Social housing development funds	11,996	6,814
Transfers	8,565	51,176
Transit passes		23,354
Other	20,788	14,631
	162,831	218,520

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

	2017	2016
Bonds and bank loans (1)	11,164,064	10,769,407
Other long-term debt		
Obligations under capital leases		158
Term loans and mortgages (2)	96,962	103,161
Other	16,639	19,026
	11,277,665	10,891,752

<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 2016).

<sup>2</sup> Mortgages in the amount of \$14.9 million (\$19.0 million in 2016) are guaranteed by properties with a carrying value of \$33.7 million (\$34.9 million in 2016).

During the year, 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, 2017

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

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

	2017	2016
Chargeable to taxpayers		
Of the central municipality	3,961,344	3,505,605
Of the agglomeration	1,921,305	2,185,247
Accumulated amounts in the Sinking Fund	2,527,700	2,590,478
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	2,535,263	2,294,939
Amount recoverable through user fees	332,053	315,483
	11,277,665	10,891,752

The City uses currency and interest-rate swap agreements for loans totalling \$185.9 million (\$242.2 million in 2016). 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, 2017, all loans in foreign currencies are hedged.

Estimated payments on long-term debt are as follows:

	2017			2016		
	Canadian dollars (1)	Refinancing	Net Amount	Canadian dollars (1)	Refinancing	Net Amount
2017				1,069,346	163,902	905,444
2018	1,052,875	307,212	745,663	1,008,131	307,213	700,918
2019	1,240,514	242,791	997,723	1,194,750	242,732	952,018
2020	532,228	88,012	444,216	486,576	57,575	429,001
2021	909,954	297,168	612,786	864,313	297,167	567,146
2022	617,223	381,023	236,200			
1 to 5 years	4,352,794	1,316,206	3,036,588	4,623,116	1,068,589	3,554,527
6 to 10 years	4,277,341	1,049,261	3,228,080	3,807,684	872,422	2,935,262
11 to 15 years	725,356	80,365	644,991	299,439		299,439
16 to 20 years	868,444	27,955	840,489	1,107,783	93,321	1,014,462
2043	934,556		934,556	934,556		934,556
2045	119,174		119,174	119,174		119,174
TOTAL	11,277,665	2,473,787	8,803,878	10,891,752	2,034,332	8,857,420

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

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

**9. 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.

	2017	2016
<b>Maturity</b>	<b>Weighted average</b>	<b>Weighted average</b>
1 to 5 years	4.08%	4.36%
6 to 10 years	3.73%	3.73%
11 to 15 years	4.15%	3.95%
16 to 20 years	3.77%	4.16%
2043	6.00%	6.00%
2045	6.00%	6.00%
Weighted average	4.11%	4.27%

**Fair value**

The fair value of the debt was \$12,396.8 million (\$12,069.7 million in 2016). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of \$21.1 million (\$36.4 million in 2016).

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

	2017	2016
Defined benefit pension plans	182,135	143,720
Other plans	276,781	267,095
Employee future benefits liability	458,916	410,815

Expenses for the defined benefit plans totalled \$431.7 million (\$649.7 million in 2016). Expenses for the defined contribution plans and the pension plans of elected officials totalled \$1.2 million (\$1.1 million in 2016) and \$2.7 million (\$2.5 million in 2016).

**10. 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 2013 to fiscal year 2016.

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

	2017		2016	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	19,018,793		17,922,156	
Accrued benefit obligation	(18,893,396)	(304,886)	(18,254,929)	(273,305)
Surplus (Deficit)	125,397	(304,886)	(332,773)	(273,305)
Unamortized actuarial losses	96,092	28,105	548,999	6,210
Accrued benefit asset (liability)	221,489	(276,781)	216,226	(267,095)
Valuation allowance	(403,624)		(359,946)	
Employee future benefits liability	(182,135)	(276,781)	(143,720)	(267,095)

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

	2017		2016	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(9,273,485)	(304,886)	(9,024,981)	(273,305)
Actuarial value of plan assets	8,606,224		8,234,467	
Deficit	(667,261)	(304,886)	(790,514)	(273,305)

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

d) Actuarial value of plan assets

	2017		2016	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	17,922,156		16,623,283	
Expected return on plan assets	1,069,957		1,007,988	
Gains during the year on the expected return on plan assets	481,977		600,575	
Actual return on plan assets	1,551,934		1,608,563	
Employer contributions	373,587	9,983	504,551	10,024
Employee contributions	185,789		176,092	
Benefits paid	(1,014,673)	(9,983)	(990,333)	(10,024)
Balance at end	19,018,793		17,922,156	
Fair value of plan assets (1)	19,757,026		18,270,472	

<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 2016).

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

e) Accrued benefit obligation

	2017		2016	
	Pension plans (1)	Other plans	Pension plans (1)	Other plans
Balance at beginning	18,254,929	273,305	17,716,201	265,321
Current service cost	449,558	8,481	422,145	8,554
Past service cost	7,409		(220,699)	(3,277)
Benefits paid	(1,014,673)	(9,983)	(990,333)	(10,024)
Interest cost on the obligation	1,045,151	10,861	1,021,245	10,438
Loss on the obligation during the year	151,022	22,222	306,370	2,293
Balance at end	18,893,396	304,886	18,254,929	273,305

<sup>1</sup> As at December 31, 2017, the accrued benefit obligation of the pension plans includes a constructive obligation of \$1,763.5 million (\$1,316.1 million in 2016) 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 expense for defined benefits plans

	2017		2016	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	449,558	8,481	422,145	8,554
Past service cost	7,409		(220,699)	(3,277)
Employee contributions	(185,789)		(176,092)	
Unamortized actuarial losses (gains) recognized upon plan amendments	(7,747)		211,588	(248)
Amortization of actuarial losses	129,699	327	187,193	92
Retirement benefits expense	393,130	8,808	424,135	5,121
Interest cost on the obligation	1,045,151	10,861	1,021,245	10,438
Expected return on plan assets	(1,069,957)		(1,007,988)	
Interest cost	(24,806)	10,861	13,257	10,438
Change in valuation allowance	43,678		196,704	
Total expense	412,002	19,669	634,096	15,559

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

g) **Principal assumptions**

The principal assumptions used are as follows:

	2017		2016	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	5.90% to 6.50%	3.50% to 3.75%	5.90% to 6.50%	4.00%
Rate of expected return on plan assets	5.90% to 6.50%		5.90% to 6.50%	
Inflation rate	2.00% to 2.25%	2.25%	2.00% to 2.25%	2.25%
Salary escalation rate	2.50% to 2.75%	2.50% to 2.60%	2.50% to 2.75%	2.60%
Initial growth rate for healthcare costs		5.00% to 8.50%		5.00% to 8.50%
Ultimate growth rate for healthcare costs		3.00% to 5.50%		3.00% to 5.50%
Years when rate is expected to stabilize		2025 and 2027		2025 and 2027

**Mortality tables**

For the City's main pension plans, with the exception of the police officer plan, the City has chosen to make certain adjustments, based on the results of a municipal sector study, to the mortality table published by the Canadian Institute of Actuaries (CIA) in 2014. For the police officer pension plan, the City uses mortality table CPM-2014Publ combined with the CPM-B scale published by the CIA in 2014.



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

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

On December 5, 2014, the Government of Québec assented to *the Act to foster the financial health and sustainability of municipal defined benefit pension plans (S.Q.2014, Chapter 15)*. This Act stipulates that municipal pension plans must be restructured. It also sets out amendments to be made to plans with regard to accrued service prior to January 1, 2014 as well as accrued service since that date.

Certain amendments provided by the Act applied on or after January 1, 2014 while others applied when agreements were signed by the parties following decisions made by an arbitrator or upon expiry of each collective agreement in effect.

Since the Act 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, 2017.

The financial impacts of the Act on the components of the defined benefit pension plan charges resulting from the amendments applied during the year are shown in the following table:

	2017
	Increase (Decrease)
Current service cost	9,991
Past service cost	7,320
Unamortized actuarial gains recognized upon plan amendments	(7,747)
Retirement benefits expense	9,564
Interest cost	295
Increase in expenses	9,859

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

**Defined contribution plans and plans of elected officials**

a) Description of plans

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

b) Employer contributions

	2017	2016
Defined contribution plans	1,248	1,061
Pension plans of elected officials	2,729	2,457

**Notes and Tables to the Consolidated Financial Statements**  
December 31, 2017

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

	Balance as at December 31, 2016	Increase	Disposals / Write offs	Balance as at December 31, 2017
<b>COST</b>				
Infrastructures	11,452,768	1,001,837	308,068	12,146,537
Metro system	2,692,718	183,822	56,403	2,820,137
Metro cars	969,817	591,879	123,712	1,437,984
Buildings	3,552,811	235,177	16,738	3,771,250
Leasehold improvements	67,714	45,528	2,067	111,175
Vehicles	1,495,561	126,674	19,004	1,603,231
Office furniture and equipment	521,562	147,392	58,760	610,194
Machinery, tools and equipment	359,870	108,934	11,441	457,363
Land	1,241,309	80,958	5,043	1,317,224
Other	6,775	870	1,545	6,100
	22,360,905	2,523,071	602,781	24,281,195
<b>ACCUMULATED AMORTIZATION</b>				
Infrastructures	5,111,645	472,552	304,946	5,279,251
Metro system	734,903	128,716	56,403	807,216
Metro cars	456,465	19,578	123,712	352,331
Buildings	1,587,163	102,967	16,336	1,673,794
Leasehold improvements	38,139	15,278	699	52,718
Vehicles	843,525	80,259	18,545	905,239
Office furniture and equipment	253,319	85,712	58,760	280,271
Machinery, tools and equipment	183,256	32,797	11,437	204,616
Other	2,712	106	1,545	1,273
	9,211,127	937,965	592,383	9,556,709
<b>NET CARRYING VALUE</b>	13,149,778			14,724,486

The cost of the capital assets in the process of completion totalling \$780.6 million as at December 31, 2017 (\$645.8 million in 2016). There were no write-downs during the year (none in 2016).

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

	2017	2016
Deposits to purchase metro cars and buses	216,940	316,065
Deposits to purchase other assets		53,200
Securities issuance costs	43,852	43,538
Other	7,795	9,939
	268,587	422,742

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

	2017	2016
Unrestricted operating surplus	230,970	196,384
Restricted operating surplus	347,451	404,068
Financial reserves and reserved funds	169,336	189,529
Deficit of capital asset activities	(604,284)	(223,046)
Recognized expenditures to be taxed or funded	(1,249,893)	(1,219,191)
Net investment in capital assets	9,541,813	8,211,939
	8,435,393	7,559,683

In accordance with the model developed by the Ministère des Affaires municipales et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4 as well as in Tables 1 to 10.

**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.

**13. 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 these 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 Quebec 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, 2017

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

	2017	2016
Transfers - Operating activities		
Government of Canada	5,354	5,238
Government of Québec	524,770	438,019
Communauté métropolitaine de Montréal	35,705	38,201
	565,829	481,458
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	58,814	34,683
Gas tax program and the Québec government contribution (TECQ)	97,442	91,681
Government of Québec		
Canada/Québec Infrastructure program	46,799	34,683
Québec/Municipalities Infrastructure program	500,696	355,417
Gas tax program and the Québec government contribution (TECQ)	204,662	117,099
Other	22,457	33,785
	930,870	667,348
	1,496,699	1,148,806

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

	2017	2016
Sinking Fund	82,667	80,035
Cash, cash equivalents and others	40,102	40,979
	122,769	121,014
Tax arrears	15,315	12,691
	138,084	133,705

## 16. 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, 2017, 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)	2017		2016	
	Fair value	Carrying value	Fair value	Carrying value
Investments	3,143,527	3,074,119	3,552,916	3,474,407
Receivables amount to be used to repay				
long-term debt	2,635,148	2,535,263	2,447,415	2,294,939
Long-term debt	12,396,833	11,277,665	12,069,709	10,891,752

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, 2017, the fair value of financial liabilities associated with swaps stood at \$21.1 million (\$36.4 million in 2016). It is included in the long-term debt amounts.

## **17. COMMITMENTS AND CONTINGENCIES**

### **a) Contractual obligations**

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of \$1,026.1 million. The estimated amounts payable over the coming years are as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2050</u>	<u>Total</u>
\$324.6M	\$241.5M	\$171.2M	\$77.5M	\$47.9M	\$163.4M	\$1,026.1M

Capital activity commitments total \$2,589.4 million of which \$576.3 million is to purchase metro cars.

### **b) F1 Grand Prix of Canada**

As part of an agreement enabling the F1 Grand Prix of Canada to be retained in Montréal, the City has undertaken to pay an initial annual contribution of \$18.2 million until 2029 inclusively. This contribution will be increased by 2% per year. In this regard, the initial annual contribution receivable by the City from its partners is \$16.9 million. This contribution receivable will also be increased by 2% per year.

In addition, under a lease agreement for the leasing of the Circuit Gilles-Villeneuve, the City has undertaken to carry out improvement work on the track before May 2019 for a maximum of \$48.0 million.

### **c) Claims and insurance**

Claims pending against the City amount to \$2,100.7 million (\$499.1 million in 2016).

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 equivalent to approximately 1% of its expenditures for the settling of claims and payment of judgments and expenditures not forecasted in the budget.

### **d) 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.



#### **18. 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). The Act introduces a new sharing of powers to foster the mobility of persons, in particular by abolishing the AMT and replacing it with two organizations: the ARTM, which will handle the planning, development, fare structure and financing of shared transportation services in the Greater Montréal Area, and the Réseau de transport métropolitain (RTM), which is responsible for the operation of shared transportation services, including commuter train services.

For purposes of applying the Act, the STM must reach an agreement with the ARTM. The agreement will specify, among other things, supply of transport, performance objectives, quality of services and the compensation of STM.

Furthermore, under this Act, the ARTM will have to 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. It is also expected that the STM will transfer its integrated sales and collection of transportation tickets as well as certain terminals to the ARTM. The ARTM will transfer parking facilities and assets linked to reserved lanes to the STM. As at December 31, 2017, no assets were transferred.

#### **19. 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, 2017

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

	<b>2017</b>	
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual (1)</b>
<b>Revenues</b>		
Taxes	3,295,353	3,294,737
Payments in lieu of taxes	256,495	260,024
Quota shares		
Transfers	151,167	239,889
Services rendered	423,801	419,675
Fee collection	179,800	263,953
Fines and penalties	103,016	93,742
Interest	76,139	82,225
Other revenues	34,870	60,421
	<b>4,520,641</b>	<b>4,714,666</b>
<b>Operating expenditures</b>		
General administration	760,018	707,837
Public security	794,026	802,955
Transportation	946,766	979,238
Environmental hygiene	434,006	421,718
Health and welfare	125,134	118,696
Urban planning and development	184,970	187,994
Recreation and culture	529,491	578,635
Financing expenses	257,284	257,361
	<b>4,031,695</b>	<b>4,054,434</b>
<b>Surplus before financing and allocations</b>	<b>488,946</b>	<b>660,232</b>
<b>Financing</b>		
Repayment of long-term debt (3)	(298,262)	(297,554)
<b>Allocations (Note 13)</b>		
Capital asset activities	(1,260)	(21,837)
Restricted operating surplus	57,618	131,487
Financial reserves and reserved funds	(208,203)	(210,713)
Recognized expenditures to be taxed or funded	(28,708)	(32,137)
	<b>(180,553)</b>	<b>(133,200)</b>
<b>Operating surplus (deficit) for tax purposes for the year</b>	<b>10,131</b>	<b>229,478</b>

<sup>1</sup> The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$46.4 million (\$95.0 million in 2016) 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 Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (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.

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(in thousands of dollars)

2017						2016
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
46,690	48,704	(20,310)	(21,289)	3,321,733	<b>3,322,152</b>	3,241,764
				256,495	<b>260,024</b>	252,329
2,704,817	2,700,965	(2,301,099)	(2,303,718)	403,718	<b>397,247</b>	404,753
340,521	325,940			491,688	<b>565,829</b>	481,458
700,083	757,615	(107,977)	(108,400)	1,015,907	<b>1,068,890</b>	991,940
1,969	1,929			181,769	<b>265,882</b>	222,776
92,190	79,072			195,206	<b>172,814</b>	163,733
80,323	77,756	(22,624)	(21,897)	133,838	<b>138,084</b>	133,705
124,722	111,028	(44,482)	(48,941)	115,110	<b>122,508</b>	101,095
4,091,315	4,103,009	(2,496,492)	(2,504,245)	6,115,464	<b>6,313,430</b>	5,993,553
350,999	334,791	(283,256)	(285,829)	827,761	<b>756,799</b>	747,383
983,491	1,087,347	(786,221)	(789,541)	991,296	<b>1,100,761</b>	1,047,377
1,779,990	1,757,099	(1,041,661)	(1,046,861)	1,685,095	<b>1,689,476</b>	1,758,663
212,178	211,044	(229,382)	(226,925)	416,802	<b>405,837</b>	437,586
36,649	25,857	(16,261)	(16,101)	145,522	<b>128,452</b>	122,308
57,081	63,958	(37,803)	(37,917)	204,248	<b>214,035</b>	211,765
151,093	174,292	(106,093)	(109,240)	574,491	<b>643,687</b>	587,611
271,301	254,064	(22,624)	(21,897)	505,961	<b>489,528</b>	482,793
3,842,782	3,908,452	(2,523,301)	(2,534,311)	5,351,176	<b>5,428,575</b>	5,395,486
248,533	194,557	26,809	30,066	764,288	<b>884,855</b>	598,067
(283,463)	(240,509)	(962)	(962)	(582,687)	<b>(539,025)</b>	(526,106)
(3,910)	(28,087)		(1,000)	(5,170)	<b>(50,924)</b>	(37,423)
3,075	11,835			60,693	<b>143,322</b>	68,455
(113,198)	(114,742)			(321,401)	<b>(325,455)</b>	(231,921)
148,555	90,943	(25,847)	(28,104)	94,000	<b>30,702</b>	269,169
34,522	(40,051)	(25,847)	(29,104)	(171,878)	<b>(202,355)</b>	68,280
(408)	(86,003)			9,723	<b>143,475</b>	140,241

**Notes and Tables to the Consolidated Financial Statements**  
Fiscal Year Ended December 31, 2017

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

2017		
	Local responsibilities	
	Budget	Actual
<b>Revenues</b>		
Quota shares		
Transfers	167,100	192,367
Developers contributions	2,900	1,583
Other revenues		6,221
	170,000	200,171
<b>Capital expenditures</b>		
General administration	104,700	64,768
Public security		992
Transportation	492,900	450,603
Environmental hygiene	163,300	171,420
Health and welfare	91,739	53,569
Urban planning and development	111,300	50,975
Recreation and culture	288,300	249,327
	1,252,239	1,041,654
<b>Deficit before financing and allocations</b>	(1,082,239)	(841,483)
<b>Financing</b>		
Long-term financing of capital asset activities	868,479	553,327
<b>Allocations (Note 13)</b>		
Operating activities	1,260	21,837
Restricted operating surplus		24,116
Financial reserves and reserved funds (3)	212,500	201,549
	213,760	247,502
<b>Deficit of capital asset activities for tax purposes for the year</b>		(40,654)

<sup>1</sup> The revenues include transfers of \$46.4 million (\$95.0 million in 2016) 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 Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ).

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

<sup>3</sup> The allocation of \$142.2 million (\$162.5 million in 2016) presented in urban agglomeration responsibilities includes an amount of \$7.6 million (\$24.6 million in 2016) from local responsibilities.

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(in thousands of dollars)

2017						2016
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual (1)	Budget	Actual	Budget	Actual	Actual
26,809	30,066	(26,809)	(30,066)			
796,040	738,503			963,140	930,870	667,348
	(25)			2,900	1,558	250
	569				6,790	6,846
822,849	769,113	(26,809)	(30,066)	966,040	939,218	674,444
70,400	45,203			175,100	109,971	62,538
68,400	40,347			68,400	41,339	49,351
851,792	1,102,659			1,344,692	1,553,262	1,042,567
357,700	206,807			521,000	378,227	385,647
	151			91,739	53,720	38,632
20,100	1,761			131,400	52,736	43,344
97,275	84,489			385,575	333,816	228,563
1,465,667	1,481,417			2,717,906	2,523,071	1,850,642
(642,818)	(712,304)	(26,809)	(30,066)	(1,751,866)	(1,583,853)	(1,176,198)
464,368	230,533	26,809		1,359,656	783,860	670,041
3,910	28,087		1,000	5,170	50,924	37,423
					24,116	10,307
174,540	142,167			387,040	343,716	292,547
178,450	170,254		1,000	392,210	418,756	340,277
	(311,517)		(29,066)		(381,237)	(165,880)

**Notes and Tables to the Consolidated Financial Statements**  
As at December 31, 2017

**TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS**

(in thousands of dollars)

	2017	2016
<b>Accumulated surplus</b>		
Unrestricted operating surplus	230,970	196,384
Restricted operating surplus	347,451	404,068
Financial reserves and reserved funds	169,336	189,529
Deficit of capital asset activities	(604,284)	(223,046)
Recognized expenditures to be taxed or funded	(1,249,893)	(1,219,191)
Net investment in capital assets	9,541,813	8,211,939
	<b>8,435,393</b>	<b>7,559,683</b>
<b>Breakdown of different items</b>		
<b>Restricted operating surplus</b>		
Allocation to the following year		48,168
Restricted surplus - Boroughs	192,253	190,490
Restricted surplus - Specific projects	24,542	40,506
Restricted surplus - Other purposes	130,656	124,904
	<b>347,451</b>	<b>404,068</b>
<b>Financial reserves and reserved funds</b>		
Financial reserves		
Water	58,434	115,528
Road network	43,358	47,384
Capital assets	40,279	
	<b>142,071</b>	<b>162,912</b>
Reserved funds		
Working capital	10,826	10,347
Balance on hand of closed-loan by-laws	8,592	8,592
Parking areas	6,144	5,310
Other	1,703	2,368
	<b>27,265</b>	<b>26,617</b>
	<b>169,336</b>	<b>189,529</b>
<b>Recognized expenditures to be taxed or funded</b>		
Employee future benefits		
Pension plans	80,248	108,402
Other plans	(199,140)	(199,140)
	<b>(118,892)</b>	<b>(90,738)</b>
Environmental liability	(38,400)	(40,000)
QST transitional measure	(22,540)	(22,500)
Long-term financing of operating activities	(1,070,061)	(1,065,953)
	<b>(1,249,893)</b>	<b>(1,219,191)</b>

**Notes and Tables to the Consolidated Financial Statements**  
As at December 31, 2017

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

(in thousands of dollars)

	<b>2017</b>	<b>2016</b>
<b>Net investment in capital assets</b>		
Assets		
Investments - Sinking Fund	<b>2,527,700</b>	2,590,478
Receivables amounts to be used to repay long-term debt	<b>2,414,540</b>	2,159,664
Capital assets	<b>14,724,486</b>	13,149,778
	<b>19,666,726</b>	17,899,920
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains		
Long-term debt	<b>(11,277,665)</b>	(10,891,752)
Debt not affecting the net investment in capital assets	<b>1,152,752</b>	1,203,771
	<b>(10,124,913)</b>	(9,687,981)
	<b>9,541,813</b>	8,211,939

**Financial Information of the Municipal Administration**  
As at December 31, 2017

<b>TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT</b>		(in thousands of dollars)
	<b>2017</b>	<b>2016</b>
<b>Long-term debt of the municipal administration</b>	<b>8,604,927</b>	8,338,522
<b>Add</b>		
Long-term unfunded operating expenditures	<b>134,308</b>	83,109
Long-term unfunded capital expenditures	<b>109,170</b>	28,242
Other		
Purchase of land	<b>15,164</b>	17,659
Government receivables		14,538
<b>Deduct</b>		
Receivables amount dedicated to repayment on long-term debt	<b>1,212,315</b>	1,243,221
Amount accumulated for repayment on long-term debt	<b>2,006,830</b>	1,927,505
Amount recoverable through user fees	<b>342,427</b>	334,870
<b>Net long-term debt of the municipal administration</b>	<b>5,301,997</b>	4,976,474
Share in the net total long-term debt of controlled organizations	<b>1,187,823</b>	949,104
<b>Consolidated net long-term debt</b>	<b>6,489,820</b>	5,925,578
Quota share in net total long-term debt - RTM	<b>193,580</b>	
Quota share in net total long-term debt - ARTM	<b>20,604</b>	
Quota share in net total long-term debt - CMM	<b>10,758</b>	12,072
<b>Consolidated net total long-term debt</b>	<b>6,714,762</b>	5,937,650



Municipal  
Administration  
Financial Reporting

2017

Breakdown by  
Responsibility

Water Management

Breakdown of  
Mixed Expenditures



Municipal  
Administration  
Financial Reporting

2017

Breakdown by  
Responsibility

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

**TABLE 5 – NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY**

2017		
	Local responsibilities	
	Budget	Actual (1)
<b>Revenues</b>		
Taxes	3,295,353	3,294,737
Payments in lieu of taxes	256,495	260,024
Quota shares		
Transfers	151,167	239,889
Services rendered	272,911	275,466
Fee collection	179,800	263,953
Fines and penalties	103,016	93,742
Interest	75,939	81,943
Other revenues	19,505	36,147
	4,354,186	4,545,901
<b>Operating expenditures</b>		
General administration	760,018	707,837
Public security	794,026	802,955
Transportation	864,925	900,807
Environmental hygiene	434,006	421,718
Health and welfare	71,401	68,788
Urban planning and development	174,650	175,876
Recreation and culture	529,245	578,458
Financing expenses	255,514	255,353
	3,883,785	3,911,792
<b>Surplus before financing and allocations</b>	470,401	634,109
<b>Financing</b>		
Repayment of long-term debt (3)	(291,108)	(290,394)
<b>Allocations (Note 13)</b>		
Capital asset activities		(6,672)
Restricted operating surplus	57,618	131,487
Financial reserves and reserved funds	(208,203)	(210,713)
Recognized expenditures to be taxed or funded	(28,708)	(32,137)
	(179,293)	(118,035)
<b>Operating surplus (deficit) for tax purposes for the year</b>		225,680

<sup>1</sup> The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by \$46.4 million (\$95.0 million in 2016) 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 Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (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)

2017						2016
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
46,690	48,704			3,342,043	3,343,441	3,262,399
				256,495	260,024	252,329
2,249,175	2,245,365	(1,845,499)	(1,848,118)	403,676	397,247	404,753
94,110	110,813			245,277	350,702	244,535
60,338	56,069	(14,172)	(17,141)	319,077	314,394	314,038
1,969	1,929			181,769	265,882	222,776
92,190	79,072			195,206	172,814	163,733
62,253	62,627			138,192	144,570	138,050
2,375	6,984			21,880	43,131	19,370
2,609,100	2,611,563	(1,859,671)	(1,865,259)	5,103,615	5,292,205	5,021,983
350,999	334,791	(274,184)	(276,328)	836,833	766,300	756,411
983,491	1,087,347	(786,221)	(789,541)	991,296	1,100,761	1,047,377
565,690	569,841	(458,390)	(460,474)	972,225	1,010,174	907,573
212,178	211,044	(228,558)	(226,102)	417,626	406,660	438,417
36,649	25,857	(4,714)	(4,732)	103,336	89,913	89,341
57,081	63,958	(30,432)	(30,596)	201,299	209,238	210,201
96,042	114,383	(77,172)	(77,486)	548,115	615,355	559,868
140,829	134,436			396,343	389,789	382,947
2,442,959	2,541,657	(1,859,671)	(1,865,259)	4,467,073	4,588,190	4,392,135
166,141	69,906			636,542	704,015	629,848
(173,790)	(173,459)			(464,898)	(463,853)	(449,312)
	(2,815)				(9,487)	(8,624)
2,550	10,508			60,168	141,995	68,455
(113,198)	(113,415)			(321,401)	(324,128)	(231,921)
118,297	123,105			89,589	90,968	130,674
7,649	17,383			(171,644)	(100,652)	(41,416)
	(86,170)				139,510	139,120

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

**TABLE 6 – NON-CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY**

2017		
Local responsibilities		
	Budget	Actual
<b>Revenues</b>		
Transfers	167,100	192,367
Developers contributions	2,900	1,583
Other revenues		6,221
	170,000	200,171
<b>Acquisition of capital assets</b>		
General administration	104,700	64,768
Public security		992
Transportation	491,900	449,626
Environmental hygiene	163,300	171,420
Health and welfare		48
Urban planning and development	111,300	50,951
Recreation and culture	288,300	249,327
	1,159,500	987,132
<b>Deficit before financing and allocations</b>	(989,500)	(786,961)
<b>Financing</b>		
Long-term financing of capital asset activities	777,000	553,327
<b>Allocations (Note 13)</b>		
Operating activities		6,672
Restricted operating surplus		24,116
Financial reserves and reserved funds (2)	212,500	201,549
	212,500	232,337
<b>Deficit of capital asset activities for tax purposes for the year</b>		(1,297)

<sup>1</sup> The revenues include transfers of \$46.4 million (\$95.0 million in 2016) 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 Quebec government contribution program (TECQ) and under the Building Canada Fund - Quebec (BCFQ).

<sup>2</sup> The allocation of \$142.2 million (\$162.5 million in 2016) presented in urban agglomeration responsibilities includes an amount of \$7.6 million (\$24.6 million in 2016) from local responsibilities.

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(in thousands of dollars)

2017				2016
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
213,600	75,988	380,700	268,355	237,072
	(25)	2,900	1,558	250
	569		6,790	6,846
213,600	76,532	383,600	276,703	244,168
70,400	45,203	175,100	109,971	62,538
68,400	40,347	68,400	41,339	49,351
57,400	49,041	549,300	498,667	394,505
357,700	206,807	521,000	378,227	385,647
	151		199	29
20,100	1,761	131,400	52,712	43,187
97,200	84,474	385,500	333,801	228,563
671,200	427,784	1,830,700	1,414,916	1,163,820
(457,600)	(351,252)	(1,447,100)	(1,138,213)	(919,652)
288,700	126,639	1,065,700	679,966	559,210
	2,815		9,487	8,624
			24,116	10,307
168,900	142,167	381,400	343,716	292,547
168,900	144,982	381,400	377,319	311,478
	(79,631)		(80,928)	(48,964)

**Financial Information of the Municipal Administration**  
As at December 31, 2017

**TABLE 7 – NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY**

	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)



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(in thousands of dollars)

2016			
	Local responsibilities	Urban agglomeration responsibilities	Total
<b>Accumulated surplus</b>			
Unrestricted operating surplus	196,970	4,465	201,435
Restricted operating surplus	313,340	17,847	331,187
Financial reserves and reserved funds	88,503	87,969	176,472
Deficit of capital asset activities	(16,521)	(11,721)	(28,242)
Recognized expenditures to be taxed or funded	(1,263,763)	153,507	(1,110,256)
Net investment in capital assets			4,988,273
			4,558,869
<b>Breakdown of different items</b>			
<b>Allocated operating surplus</b>			
Allocation to the following year	45,618	2,550	48,168
Restricted surplus - Boroughs	190,490		190,490
Restricted surplus - Special projects	25,272	15,234	40,506
Restricted surplus - Other purposes	51,960	63	52,023
	313,340	17,847	331,187
<b>Financial reserves and reserved funds</b>			
Financial reserves			
Water	33,063	82,465	115,528
Road network	42,586	4,798	47,384
Capital assets			
	75,649	87,263	162,912
Reserved funds			
Working capital	3,347		3,347
Balance on hand of closed-loan by-laws	1,829	706	2,535
Parking areas	5,310		5,310
Other	2,368		2,368
	12,854	706	13,560
	88,503	87,969	176,472
<b>Recognized expenditures to be taxed or funded</b>			
Employee future benefits			
Pension plans	(79,507)	232,745	153,238
Other plans	(96,320)	(9,914)	(106,234)
	(175,827)	222,831	47,004
Environmental liability	(40,000)		(40,000)
QST transitional measure	(9,900)	(12,600)	(22,500)
Long-term financing of operating activities	(1,038,036)	(56,724)	(1,094,760)
	(1,263,763)	153,507	(1,110,256)

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

**TABLE 8 – NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY**

	2017	
	Local responsibilities	
	Budget	Actual
<b>Remuneration</b>		
Elected officials	10,721	10,511
Employees	825,291	848,749
<b>Employer contributions</b>		
Elected officials	4,313	4,735
Employees	294,479	298,242
<b>Transportation and communication</b>	28,278	31,742
<b>Professionnal, technical and other services</b>		
Professional fees	48,612	49,863
Purchase of technical services	242,506	239,381
Other	3,820	3,672
<b>Leasing, maintenance and repairs</b>		
Leasing	81,527	72,542
Maintenance and repairs	73,833	56,738
<b>Durable goods</b>		
Construction	4,382	11,821
Other durable goods	1,592	3,922
<b>Non-durable goods</b>		
Delivery of public services	45,279	45,167
Other non-durable goods	116,658	112,344
<b>Financing expenses</b>		
Interest and other charges on long-term debt borne by:		
The municipality	215,734	212,430
Government of Québec and its enterprises	14,815	18,341
Other third parties	23,655	23,466
Other financing expenses	1,310	1,116
<b>Contributions to organizations</b>		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,845,499	1,848,119
Quota shares - Société de transport de Montréal		
Quota shares - Montréal Metropolitan Community	26,957	27,191
Quota shares - Autorité régionale de transport métropolitain		
Other	12,750	13,438
Government organizations		
Agence métropolitaine de transport		
Other		275
Other organizations	94,930	140,660
<b>Other items</b>		
Doubtful account or bad debts	9,227	21,023
Other	(142,383)	(183,696)
	3,883,785	3,911,792

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

(in thousands of dollars)

2017						2016
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				10,721	10,511	10,054
871,262	923,146			1,696,553	1,771,895	1,679,912
170				4,483	4,735	4,175
293,057	326,976			587,536	625,218	673,550
7,142	7,496			35,420	39,238	42,047
17,415	13,160			66,027	63,023	47,880
83,571	79,145	(419)	(2,265)	325,658	316,261	269,072
1,005	1,194			4,825	4,866	4,124
34,824	32,890	(13,406)	(13,394)	102,945	92,038	87,736
18,238	14,754	(187)	(1,183)	91,884	70,309	70,412
8,314	5,729			12,696	17,550	18,940
54	298	(54)	(298)	1,592	3,922	955
41,437	37,469			86,716	82,636	83,368
49,174	45,648			165,832	157,992	151,472
92,653	85,263			308,387	297,693	290,483
25,447	27,553			40,262	45,894	51,062
22,625	21,610			46,280	45,076	40,173
104	10			1,414	1,126	1,229
		(1,845,499)	(1,848,119)			
482,300	484,666			482,300	484,666	445,383
11,820	11,922			38,777	39,113	37,874
	37,536				37,536	
31,366	32,212	(106)		44,010	45,650	42,692
64,300	26,020			64,300	26,020	58,707
15,506	30,308			15,506	30,583	14,883
30,822	49,818			125,752	190,478	170,118
10,830	17,991			20,057	39,014	1,813
229,523	228,843			87,140	45,147	94,021
2,442,959	2,541,657	(1,859,671)	(1,865,259)	4,467,073	4,588,190	4,392,135



Municipal  
Administration  
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2017

Water Management

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

**TABLE 9 – NON-CONSOLIDATED OPERATING DEFICIT FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY**

<b>2017</b>		
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual</b>
<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	300,961	301,140
Flat rate and meter fees	24,301	24,545
Revenues for delegated agglomeration activities	400	365
Other revenues from local sources	1,165	1,064
Transfers		48
	326,827	327,162
<b>Expenditures</b>		
Quota shares for financing urban agglomeration activities	179,214	175,564
Expenditures	117,663	114,644
	296,877	290,208
<b>Surplus before financing and allocations</b>	29,950	36,954
<b>Financing</b>		
Repayment of long-term debt (1)	(26,464)	(28,573)
<b>Allocations (Note 13)</b>		
Restricted operating surplus		370
Recognized expenditures to be taxed or funded	(360)	(481)
Water financial reserve	(3,126)	(8,270)
	(3,486)	(8,381)
<b>Operating 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)

2017						2016
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
118,529	118,529	(97,031)	(97,401)	21,498	21,128	29,278
90,431	84,701	(79,288)	(73,646)	11,143	11,055	7,079
3,445	3,445			3,445	3,445	4,447
1,158	1,158			1,158	1,158	553
3,013	4,933	(2,895)	(4,517)	118	416	280
4,185	4,582			4,185	4,582	4,345
				300,961	301,140	310,468
				24,301	24,545	24,056
		(400)	(365)			
1,324	962			2,489	2,026	1,781
	836				884	4,424
222,085	219,146	(179,614)	(175,929)	369,298	370,379	386,711
		(179,214)	(175,564)			
170,510	171,261	(400)	(365)	287,773	285,540	277,132
170,510	171,261	(179,614)	(175,929)	287,773	285,540	277,132
51,575	47,885			81,525	84,839	109,579
(41,077)	(42,280)			(67,541)	(70,853)	(68,669)
					370	
				(360)	(481)	(465)
(10,498)	(10,498)			(13,624)	(18,768)	(40,445)
(10,498)	(10,498)			(13,984)	(18,879)	(40,910)
	(4,893)				(4,893)	

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

**TABLE 10 – NON-CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES  
RELATED TO WATER MANAGEMENT BY RESPONSIBILITY**

<b>2017</b>		
	<b>Local responsibilities</b>	
	<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>		
Quota shares - Related municipalities		
Transfers	118,716	153,819
Other revenues		1,199
	118,716	155,018
<b>Acquisition of capital assets</b>		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	155,605	145,699
Buildings		22,622
	155,605	168,321
<b>Deficit before financing and allocations</b>	(36,889)	(13,303)
<b>Financing</b>		
Long-term financing of capital asset activities	33,789	
<b>Allocations (Note 13)</b>		
Water financial reserve (1)	3,100	7,132
	3,100	7,132
<b>Deficit of capital asset activities for tax purposes for the year</b>		(6,171)

<sup>1</sup> The allocation of \$69.9 million (\$84.3 million in 2016) presented in urban agglomeration responsibilities includes an amount of \$7.6 million (\$24.6 million in 2016) from local responsibilities.



(in thousands of dollars)

2017				2016
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
				500
180,546	67,170	299,262	220,989	184,231
	149		1,348	465
180,546	67,319	299,262	222,337	185,196
156,992	133,292	156,992	133,292	164,174
157,397	39,571	157,397	39,571	45,075
13,767	17,911	169,372	163,610	140,453
	6,166		28,788	23,637
328,156	196,940	483,761	365,261	373,339
(147,610)	(129,621)	(184,499)	(142,924)	(188,143)
81,398		115,187		50,215
66,212	69,942	69,312	77,074	96,375
66,212	69,942	69,312	77,074	96,375
	(59,679)		(65,850)	(41,553)



Municipal  
Administration  
Financial Reporting

2017

Breakdown of  
Mixed Expenditures

## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying Table of Breakdown of Mixed Expenditures of Ville de Montréal between local responsibilities and urban agglomeration responsibilities (hereinafter "Table of Breakdown of Mixed Expenditures") for the year ended December 31, 2017. This Table of Breakdown of Mixed Expenditures has been prepared by management based on by-law RCG06-54 adopted by the Montreal Agglomeration Council on December 13, 2006 and its subsequent changes (hereinafter "the regulatory requirements").

### *Management's Responsibility 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 the Table of Breakdown of Mixed Expenditures that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Table of Breakdown of Mixed Expenditures.

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

*Opinion*

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local responsibilities and urban agglomeration responsibilities for the year ended December 31, 2017 is prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of the Ville de Montréal,



Michèle Galipeau, CPA auditor, CA

Montréal

April 13, 2018

**Financial Information of the Municipal Administration**  
Fiscal Year Ended December 31, 2017

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

<b>2017</b>		
<b>Local responsibilities</b>		
	<b>Budget</b>	<b>Actual</b>
<b>Expenditures</b>		
General administration	134,183	121,892
Transportation	30,027	33,895
Environmental hygiene	15,534	16,449
Health and welfare	1,773	2,171
Urban planning and development	16,906	14,875
Recreation and culture	19,967	19,905
<b>Total expenditures</b>	<b>218,390</b>	<b>209,187</b>

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

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(in thousands of dollars)

2017						2016
Urban agglomeration responsibilities		Eliminations (1)		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
154,059	166,194	(352)	(358)	287,890	<b>287,728</b>	318,570
1,412	2,390	(1)	(8)	31,438	<b>36,277</b>	12,436
6,234	7,655		(1)	21,768	<b>24,103</b>	16,524
1,671	1,707			3,444	<b>3,878</b>	3,981
8,286	7,624		(1)	25,192	<b>22,498</b>	25,914
4,772	5,339		(2)	24,739	<b>25,242</b>	11,986
176,434	190,909	(353)	(370)	394,471	<b>399,726</b>	389,411

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## **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 2017 was 10.07%.

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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, 2017, 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.



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