



Member of the  
Ordre des  
comptables agréés  
du Québec

*Caligiuri, ca*

COMPTABLE AGRÉÉE • CHARTERED ACCOUNTANT

*Gina Caligiuri, ca*

7885 Ch. de la Côte de Liesse,  
Ville St-Laurent, Québec H4T 1G2  
Tel.: 514-735-5155  
Fax: 514-735-1137

September 8, 2009

To: Mr. Daniel Miller  
Mr. David Sternthal  
Mr. Abe Gonshor  
Dr. Phillip Gordon  
Ms. Roz Gross

RE: Comments on Hampstead Municipality  
Financials for the year 2006 – 2008

Dear Sirs/Madam:

Please find enclosed our findings relating to certain extracts from the 2006 – 2008 financial statements. Figures were extracted from the 2006 – 2008 audited financial statements, without further audit.

- As indicated on Schedule 1, there has been an excess of capitalized and non-capitalized expenditures over revenues for each of the last three years. (\$1,314,000 in 2006, \$783,000 in 2007 and \$1,661,000 in 2008 for a total of \$3,758,000).
- Schedule 2 indicates during this three year period the city spent \$8,320,000 which was recorded as Capital expenditures.
- During the same period, the city borrowed \$7,503,000, thereby increasing the debt by \$5,422,000 or 72% in the three year period. (\$12,968,000 - \$7,546,000), and incurred financing charges of \$345,518 in 2006, \$539,521 in 2007 and \$657,760 in 2008.
- The long-term debt has steadily increased, causing concern over exactly how this existing debt will be reimbursed. As indicated on note 5 of the audited financial statements, the city's obligation over the next five years for the existing debt is as follows: 2009 - \$1,021,000, 2010 - \$1,069,200, 2011 - \$1,122,100, 2012 - \$602,000 and 2013 - \$559,100.
- Since capital expenditures appear to be an ongoing annual requirement from \$2,000,000 to over \$3,000,000 per year, (based on the last 3 years), there should be a plan showing how the city of Hampstead plans to finance both Capital projects and current expenditures as well as repaying the already existing debt.

- With a continued increase in long-term debt, financing costs will increase as well, causing a further strain on operations which is already operating at a deficit, taking into account current revenue levels.
- The net surplus for each year is attributed largely to the capitalization of infrastructures and other expenditures capitalized instead of being applied to current operations, and does not result in any cash that may be used to finance the current operations of the city and its debt.

The surplus ultimately arises due to the creation of the general infrastructure of the city. The major concern has to be, how the accumulating debt by the city will be repaid in the future. The infrastructure itself can only have a negative effect on the accumulated surplus in the future due to the impact of the annual depreciation charged over its useful life.

Yours truly,

*Caligiuri, ca*

  
Gina Caligiuri, ca  
GC:dr

**Hampstead Municipality**  
**Extracts from the Audited Financial Statements received**  
**From the Affaires Municipales et Regions – Québec**  
**Statement of Operations**  
**For the year ended 2006 to 2008**  
**(\$000 – omitted)**

	<u>2008</u> \$	<u>2007</u> \$	<u>2006</u> \$
Revenues as per audited financial statements – page 9	13,188	14,517	11,142
Cash outlays			
- Non-capitalized expenses – page 11	11,322	12,687	10,278
- Capitalized items – page 12	<u>3,527</u>	<u>2,613</u>	<u>2,180</u>
	<u>14,849</u>	<u>15,300</u>	<u>12,458</u>
<b>Deficit for the year as per page 9 of the Audited financial statements</b>	<u><u>(1,661)</u></u>	<u><u>(783)</u></u>	<u><u>(1,314)</u></u>

**Hampstead Municipality**  
**Extracts from the Audited Financial Statements received**  
**From the Affaires Municipales et Regions – Québec**  
(\$000's omitted)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2006-2008</u>
	\$	\$	\$	\$
<b>Long term debt</b>				
Opening balance	7,546	9,948	12,266	7,546
Borrowing during the year	2,905	3,003	1,595	7,503
Repayment during the year	(503)	(685)	(893)	(2,081)
<b>Balance at end of year</b>	<u><u>9,948</u></u>	<u><u>12,266</u></u>	<u><u>12,968</u></u>	<u><u>12,968</u></u>
<b>Transfer from Expenses to Capital assets</b>				
Administration generale	239	102	45	386
Securite publique	54	65	6	125
Transport	1,828	1,966	2,829	6,623
Hygiene du milieu	0	152	321	473
Amenagement, urbanisme et Developpement	13	0	18	31
Loisirs et culture	46	328	308	682
<b>Total Expenses Capitalized</b>	<u><u>2,180</u></u>	<u><u>2,613</u></u>	<u><u>3,527</u></u>	<u><u>8,320</u></u>