

Over-Statement of Assets

In some way or other, the auditors state, certain Assets had been doubly included in the Accounts, as evidenced by the published Balance Sheet of the City as at 30th April, 1916. These duplications are reported as having resulted in an over-statement of Assets of over \$200,000, this being, of course, reflected in the so-called Surplus.*

* It is interesting to note with regard to duplication of assets in the City's published accounts that the Citizens Research League drew attention in their first report to another and more glaring instance, which was, however, done away with before the recent outside audit was made. The City had, from year to year, showed a large so-called Surplus which was principally accounted for by inclusion among assets of a \$6,500,000 item of deferred assessments for local improvements—which item really appeared a second time among the City's Fixed Properties.

The auditors contend that, aside from the question of method, instances of accounts wrongly stated were by no means lacking. In this connection the "direction of staff" rather than staff itself is criticized. An example cited is of a sum of \$300 that had been misappropriated several years before from a departmental advance. No instructions had apparently been issued for the adjustment of the advance account, and the above amount had been carried forward from year to year as a cash advance.*

* This particular item is stated by the Comptroller to have been adjusted during the year following that covered by the outside audit.

Certain accounts, it is said by the auditors, are being carried as Assets which are in no way representative of tangible equities or of truly recoverable balances—the General Taxpayer constituting the only medium of disposal. These accounts comprise balances on various Expense and Plant Operating Accounts, which, after allowing credit for various surpluses, amount to approximately \$150,000. This amount, together with the unpaid Liabilities of over \$100,000 already mentioned, makes a total of over a quarter of a million dollars which had not been taken care of at 30th April, 1917. In addition to this, the auditors contend that probably in the neighborhood of \$100,000 uncollectible taxes accumulated over a period of from 15 to 20 years will yet require to be provided for.

Financing of Short-Term Improvements

A feature of the report is the suggestion with regard to providing funds for the construction of new short term works. To quote from the auditors' report: "The issues of Consolidated Stock comprise provision for Works and Local Improvements for various terms not coinciding with term of debt and quite frequently of much shorter duration. The present practice is to use the levies matured in Sinking Fund in respect of the shorter term works for the purpose of buying in the stock, thus effecting a reduction in the debt. While this is perfectly good practice and is financially sound it occurs to us that these accumulations might very well be used for the construction of further short term works instead of for the purpose of reducing the debt—provided, however, that the levies for the new works would have accumulated in full at date of maturity of debt. In this way the costs incident to issuing new debentures or stock would be saved without having impaired the security for the original debt."

Forms of Debentures are briefly discussed in the auditors' report. They suggest that special consideration be given to this branch of municipal finance, and point out some generally accepted advantages, in principle, of Instalment Debentures. They state, however, that in the case of Winnipeg, the advantages would not be entirely on the side of the Instalment method as compared with the present Sinking Fund system.*

* In the report of the Sinking Fund Trustees for the 1917-18, recently issued, these points are commented upon. The Trustees do not approve of the suggestion re financing short-term improvements, but consider that the city should make separate provision for financing new works. The Trustees also re-affirm their view that Instalment Debentures would be less advantageous in the case of Winnipeg than the present Sinking Fund system.