

would of course have been counted from that date when it would first have become payable. As, however, the calculation was only made in 1866, when it was known that Confederation would take place, and the Dominion Government would have no further control over the Municipal Loan Fund, the two indemnity accounts were opened by crediting them with the capital on which interest was to be allowed, and with the annual interest upon it from May, 1859. Of these two accounts the Townships indemnity has been counted as forming part of the debt, but that to Upper Canada, which by the Act is not payable until all arrears of the Municipal Loan Fund have been paid off, has been treated as an offset from the Municipal Loan Fund. The capital of the indemnity should in my opinion be treated as an offset from the capital of the Municipal Loan Fund, and the interest thereon as an offset against the interest in arrear on the same fund. It is to be observed that the annual interest only has been credited to the indemnity account in Upper Canada, and no interest has been allowed on the interest. As, however, in the interest account of the Municipal Loan Fund, 6 per cent interest is annually charged under the Act on the arrears, I think that as these accounts are parallel accounts, similar interest should have been allowed on the balances of the indemnity account. The question does not in any way affect the total debt, as the whole indemnity account is treated as an offset from the assets, but if the arbitrators take the origin of the debt as the basis on which it is to be divided, the question of compound interest may in that case be of importance, otherwise the whole account is only a book-keeping device in which Ontario alone is interested.

It is further to be observed that there are two liabilities incurred under the Seigniorial Act of 1859, upon which neither the Townships nor Upper Canada have received any indemnity, viz: the capital of the Jesuits' estates, \$92,583.83, and \$196,719.66 which was part of the capital of the Seigniories of St. Sulpice, which was made a charge against the L. C. Municipalities Fund and not against the Consolidated Fund, Until, however the former Fund was able to pay the annual amount, the interest on the \$196,719.66 was to be paid out of the Consolidated Fund, and it is included in the \$3,113,100.02, which is counted as part of the debt, the corresponding liability of the Municipalities Funds being now an asset of Quebec under the British North America Act.

Two of the local revenues which formed, with \$600,000, the original Fund of 1854 were capitalized on the average of the five years preceding as follows:

Seigniori of Lauzon, average income.....	\$12,951.65
Tavern Licenses, &c.,.....	37,115.01
	\$50,066.66

capitalized at \$834,444.40. The value of the *Quint* was not ascertained until later, and was then added to the Fund, or (which was the same thing) was deducted by the Commissioners from the capital, viz:

Capital of <i>Quint</i>	\$71,214.83
Arrears of do.....	32,329.31
	\$103,544.14

The average income of the two first named revenues since, to June 30th, 1867, has been:

Seigniori of Lauzon.....	\$11,897.47
Taverns, &c.....	33,773.66
	\$45,671.13

JOHN LANGTON,
Auditor.

June, 9th 1869.