Year.	Income.	Expenditure.	Excess of Income, "Surplus Income Fund."	Excess of Expenditure.
	$ cts.	$ cts.	$ cts.	$ cts.
1853.	67,076 78	54,928 52	12,148 26	
1854.	52,928 83	49,453 10	13,475 73	
1855.	57,476 91	56,779 93	696 98	
1856.	66,577 22	65,206 24	1,370 98	
1857.	60,132 16	60,917 16	....	785 50
1858.	55,733 97	55,386 25	347 72	
1859.	51,585 53	70,154 89	....	18,569 36
1860.	54,375 31	63,153 27	....	8,777 96
1861.	50,355 16	61,829 11	....	11,473 95
			$28,039 67	$39,606 77

From the above, it will be seen that the Income Fund is inadequate to meet the present scale of expenditure, and that immediate action is needed to prevent a further diminution of the permanent endowment. In the course of the report it will be shown that the expenditure can be considerably reduced without impairing the efficiency of the University or College, and therefore it is unnecessary here to enter at length upon the subject of retrenchment, the necessity for which must now be admitted.

The Commissioners feel that it is of more importance to point out what they believe to be radical defects in the system of management, defects which can only be remedied by prompt legislative action. In his evidence, the Bursar states that he has been informed that "there are *no limits* to the demands which the authorities of the University and of "University College might make upon him." His duty is to manage the Endowment, and to make such payments as are certified by the proper authorities. The expenditure and management of the Bursar's Office are likewise *uncontrolled*, by either of the above corporations. We have thus three distinct departments, independent in their action, yet supported by the same fund. It is true that all of them are subject to Government control, and that most of the expenditure which has taken place has been sanctioned by Orders in Council; such control, however, is necessarily imperfect, for it cannot be exercised when the Seat of Government is so far removed from Toronto, without great inconvenience and loss of time to Your Excellency and to the Members of Council.

As an instance of the want of proper adjustment of expenditure to the income actually collected, reference may be made to the first year in which a deficiency occurred, viz., 1859, when the excesss amounted to the large sum of $18,569.36. In this one year the following sums are charged to Income Fund :—

Furniture for College residence..	$ 5,125 15
Grounds..	6,256 20
Observer's residence...	4,340 00
	$15,721 34

Of the expediency of spending so large a sum on the Residence, now occupied by only 19 students, and also upon the grounds, at a time when the income fell short, very great doubts may be entertained; and the Commissioners are strongly of opinion that the last item of expenditure, for the benefit of the Observatory, was not a legitimate application of the University funds. It is unnecessary in this report to enter into a detail of items of expenditure to which objections might be made, but it will readily be seen that a reform in the management of the finances of the University is absolutely imperative, and that