

## COMMUNICATIONS.

OTTAWA, 14th July, 1902.

Editor MUNICIPAL WORLD,—In your issue for the current month appears an article with regard to school lands and buildings forming no part of the assets of a municipality.

In this city, on the 31st December, 1901, there were outstanding debentures of the municipality amounting to \$278,700.00, issued for the purpose of acquiring school lands and erecting schools. These are a liability of the municipality, the money obtained for which was, supposedly, spent paying for these lands and buildings, surely the lands and buildings are liable with the other property of the municipality for its debts, and so long as debentures are outstanding and unpaid for debts incurred in acquiring such lands and premises to the extent of the face of the debentures, less what sinking funds may have accumulated, some assets must be forthcoming to represent the debt.

It may be as you say, that the Board of Public School trustees can dispose of and give a title to, any or all of such property, but would not that board be compelled to provide for existing debts, incurred in acquiring such lands, etc.

The quandary in which I found myself when making my first audit for this municipality, was this, a large amount of debentures, such as I speak of were in existence, they were not taken into account either by the municipal corporation or the Board of Public School trustees as a liability; on examining into the matter I found the debentures were those of the municipality, just as any debenture for municipal purposes, except that it was recited that they were issued for school purposes, the interest was payable by the municipality, and at the end of the term the face value was payable by the municipality, in other words, the school board did not appear in the matter at all.

The school Board claimed to own the property without any liability appearing against it, as the municipality was responsible for the debentures, thus showing a very large asset and no corresponding liability.

As you will observe by reference to pages fifty-eight and fifty-nine of my report for 1901, which I enclose, the assessed valuation of the school lands and buildings is only \$247,250.00, and the debentures outstanding are \$276,700.00.

On going into the matter further, I found that the school trustees had been in the habit for many years of charging all sorts of repairs, etc., to their "Building account," and even giving them credit for everything they had charged to such account, they had spent many thousands of dollars for current expenses, for which they claim credit as being spent on buildings, but which had been charged up to proceeds of debentures.

I do not think there is any question but that, to any extent, over and above debenture debts, the school lands, etc., are in no way an asset of the corporation, but how it is possible to deal with the debenture debt as has been done by simply ignoring it and the assets which it has purchased, can scarcely be said to be good accounting.

Yours, etc.,

W. H. CLUFF,  
City Auditor.

ED.—We cannot agree with our correspondent's ideas on this subject, as they are at variance with the legal status of the two corporations in question (municipal and school) and with the statutory provisions relating to the matter. It must be borne in mind that the municipal council and public school board are two different corporate bodies created by statute, whose rights, duties, privileges and obligations are separate and distinct. School property of all kinds is vested by the statutes in the school board. The municipal corporation has no ownership in or control over it, and therefore the latter cannot include such property amongst its assets. The municipal council is required to levy and pay over to the school board such sums as the latter asks for for its lawful purposes, but has nothing to say as to its investment, or any right to interfere in the transaction of the business of the board. The council occupies the same relative position as regards its liability for the payment of debentures issued for moneys raised for the purposes of the school board as it is placed in when it issues debentures for moneys expended in local improvements, or for drainage purposes, or any other debentures whose payment is provided for by special local assessment. It will no doubt, readily be granted, that an allegation that the works in which the moneys in these latter cases is invested are assets of the municipality, is not tenable. The asset in all these cases, as well as in the case of school debentures, is the special levy that the statutes authorize the council to make from year to year to meet the debentures as they mature, and not the works or property in which the money raised has been invested.)

CAIRO, JULY 21, 1902.

*To the Editor of the Municipal World:*

DEAR SIR,—Your article in July number, re assets, is well worth reading and I am pleased to see the matter discussed.

My experience is that auditors do not all agree as to what are assets and liabilities, and because they differ so in their opinions and methods, it is very awkward to compare auditors' reports so as to know whether the councils are running business satisfactorily.

One set of auditors treats all liabilities, outstanding interest and all, as a liability; another omits the outstanding interest, while another goes so far as to omit all outstanding, the maturing liabilities only

being considered, and in our township this year considerable of the maturing liabilities were omitted.

As to assets, generally speaking, they are usually looked after because the larger the assets the better showing for the council who employ the auditors. However, there is a difference of opinion here also.

This, to my mind, is a subject well worthy of consideration and I would be pleased to see an explanation as to what the auditors should and should not take into consideration; the different methods of treating the outstanding and maturing liabilities; whether or not the outstanding debenture interest, that is, interest not yet earned, should be treated as a liability; whether expenditures made by the council for drainage, etc., to be levied at some future date, are assets, etc., etc.

Hoping to see more along this line,

I remain, yours truly,

G. A. ANNETT.

(ED.—The subject matter of this communication will have our attention in a future issue.)

## Carnegie Libraries.

The Toronto *Globe* enters this protest against the importunity with which some Canadian towns beseege the United States millionaire, hat in hand, like wayside beggars in the East, clamoring for "backshish."

"When Mr. Andrew Carnegie was handing out free libraries to the cities and towns of the United States and of Scotland there was occasionally to be found among the recipients, some with the Oliver Twist disposition who asked for more even when they had not that precocious young person's justification. The pangs of literary hunger, however, were so strongly felt that when Mr. Carnegie ladled out \$50,000 or \$100,000 they handed the plate back promptly for another helping. We, in Canada, laughed at these things when the suppliants were American municipalities, and very naturally quoted the proverb about not looking a gift horse in the mouth. The laugh, it must be confessed, turns to the blush of shame when we find Canadian cities and towns not only asking Mr. Carnegie for money for library buildings but going back, like the American cities, for a second donation. Surely there is enough civic pride, enough public spirit, among Canadians to prevent them from scrambling for Mr. Carnegie's money like small boys who afford amusement to a magnificent stranger by tumbling over each other in the dust for the pennies he throws among them. There is nothing degrading in accepting a gift from Mr. Carnegie for library purposes if it is tendered and received in the right spirit, but to follow Mr. Carnegie around with outstretched hand and the cry of "Give! Give!" is scarcely living up to the traditions of the race and is more suggestive of Naples or Cairo than of Ontario.