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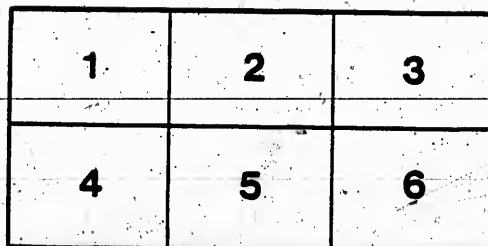
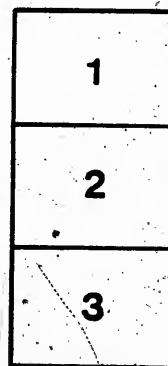
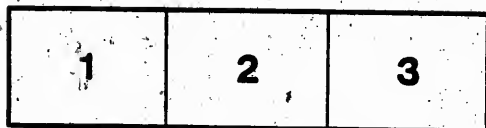
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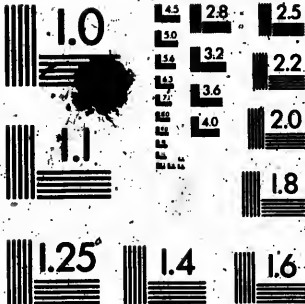
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MUNICIPAL
FINANCES AND ACCOUNTS
AND
RELATIVE LEGISLATION.

BY
WILLIAM POWIS, F. C. A.

READ IN MANUSCRIPT

• TO

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO,

BY REQUEST

TORONTO, 20TH DECEMBER, 1888.

TORONTO:
ROWSELL AND HUTCHISON, PRINTERS.

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MUNICIPAL FINANCES AND ACCOUNTS

AND

RELATIVE LEGISLATION.

LEGISLATION CONCERNING MUNICIPAL AFFAIRS.

In entering upon the consideration of municipal affairs, so vast is the subject in its comprehensiveness, and so diversified the subject matter, that the stoutest heart might reasonably feel overwhelmed whilst contemplating the extent of the scope afforded for the exercise of thought, and the application of one man's limited experience.

The only way to arrive at satisfactory results, is, for each member of each community to contribute, as occasion may arise, that which his own talents and experience enable him to suggest, in the interest of the public at large.

As it is generally understood that the Provincial Parliament will, at the approaching session, take into consideration municipal affairs, and legislate thereon, I have been requested by the secretary of our Institute, to contribute a paper on a branch of the subject, upon which it is desirable, that, *accountants* should express an opinion. The necessity, at the present time, for an expression of opinion from some source, competent to judge, is so apparent, that to omit it, would seem to involve culpable negligence, on the part of some one or some body of men. I trust I may be pardoned for adding, that, the same necessity is apparent, as regards other branches of the same subject.

While placing before you the results of my study of this branch of the subject, I would ask every hearer or reader of what I have to say, to pause and probe deeply into the merits of every suggestion, before condemning what may not, at first sight, appear appreciable.

The subject is so pregnant with intrinsic interest, that, I trust my hearers will consider the merits of the thoughts sought to be conveyed, and not the manner in which the ideas are expressed.

MANAGEMENT.

In the management of municipal affairs, there should be (tempered with prudence and caution) a bold and comprehensive policy pursued; in each case, looking to the welfare of the whole municipal community, in the future as well as the present.

MAYOR, WARDEN, OR REEVE.

The Revised Statutes, chapter, 184, section 244, (see page 1832), in the recital of the duties of the head of each municipal council, supplies us with this eloquent sentence, [that it shall be his duty] "to communicate from time to time to the council all such information, and recommend such measures within the powers of the council as may tend to the improvement of the finances, health, security, cleanliness, comfort, and ornament of the municipality."

It were well if every aspirant to this honorable position, and every elector, would bear in mind the onerous duties of this office when effectively filled. Electors should endeavour to secure the best man available for the position; who should be possessed of the ability, and be able to command the time, necessary for an efficient discharge of the duties. No one should offer himself, or encourage the ratepayers to elect him, unless he intends, and is in a position, to devote any amount of time necessary to master the situation, and fulfil its requirements.

CLERK.

The position of clerk is one of the most, if not the most, important of the offices to be properly filled. The mayor, warden, or reeve, it is true, is the head of the executive as well as the governmental organization. The councillors, along with him, constitute the controlling power or governing body of the municipality. These, however, are elected annually, affording an excellent opportunity for the introduction of new ideas and the operation of diversified talents. The clerk, however, is intended to be a permanent officer for life.

In order to force into prominence the idea I wish to convey, suffer me to style the mayor president and the council a board of directors. Then who and what should the clerk be but manager under their control?

To ensure good management, there must be some one permanent officer to take an interest in all the affairs of the municipality. He should devise, contrive, and arrange schemes for its benefit, whether general or departmental. He should bring before the mayor, warden, or reeve, as the case may be, anything and everything which occurs to his mind as affecting the interests of the municipality, whether resulting from his knowledge, wisdom, or excogitations. He should inform, and seek to guide, the council on all matters where it appears to him that they might otherwise err. Who is there, of all the permanent officers, in a position to do this but the clerk? Unlike the government elected annually, he has had the opportunity of hearing the ideas and arguments of the several members of the various councils, at the board and in committees, and is conversant with the prevailing opinion on each matter dealt with. He has also been in a position to trace the results in detail of the various acts of each council.

If I am right in my high conception of the nature of the duties which should devolve upon the clerk of each municipality, the greatest care and pains should be taken to secure the best talent available for the position. "The right man in the right place" in this connection is a treasure, though he be not in the treasury department.

The clerk should be relieved of all details not necessarily and unavoidably appertaining to his office; so as to give him the fullest possible opportunities of exercising his talents and experience in the general oversight of the municipal affairs, and in devising and suggesting measures with a comprehensive view to the permanent maintaining of a consistent and progressive policy.

The provisions of section 245 (page 1833) that the clerk "shall keep the books, records, and accounts of the council, and shall preserve and file all accounts acted upon by the council," is a great mistake; and as far as I am aware, very generally disregarded. The treasurer should keep the vouchers; and so long as there is no separate office of accountant, the treasurer is the party

who should keep the books and accounts recording the fiscal transactions.

Section 250 (page 1834) makes the treasurer simply the banker.

DEBENTURES.

A very important matter in the management of municipal affairs, is the governing of the debenture debt; both as regards its amount and maturity, and the value and durability of what has been procured thereby.

DEBT.—It is often wiser and more economical, to incur a large debt for durable works of great utility, than to keep down the debt at the sacrifice of other important considerations. At the same time, while judicious expenditure, that can only be accomplished by borrowing, is commendable, the amount of debt should be watched and adjusted so that it may not grow beyond the limits of prudence or justice.

POWERS.—When debentures are issued, they should never be made payable at a date beyond the time when the works thus paid for are expected to be worn out, renewed, or replaced. This I am happy to say is required by existing law. See section 621, sub-section 2 (page 1391.)

Permanent works which might last for centuries, the construction of which might be the truest economy, should in my opinion be the occasion of debenture issues at very long dates. What has been contemplated in the framing of the statutes with respect to this matter, is difficult to ascertain, as the provisions are inconsistent.

Section 340, sub-section 2, (page 1860) provides that if the debt be "not contracted for gas or water-works, or for the purchase of public works," the debentures "shall be made payable in twenty years at furthest, and if the debt is contracted for gas or water-works, in thirty years at furthest." This leaves it open as to the date of payment of debentures issued for public works other than gas-works or water-works.

Chapter 190 section 17, sub-section 6, (page 2057) authorizes the issue of Park debentures payable in forty years. This is quite in accordance with the provisions of chapter 184, section 340, sub-section 2, referred to.

In chapter 184, section 342, sub-section 1, (page 1861) referring to re-payment by annual instalments, the time is limited as follows: "not exceeding thirty years, if the debt is for gas or water-works, and not exceeding twenty years if the debt is for any other purpose."

By these provisions, while debentures payable by annual instalments, other than those issued for construction of gas or water-works, must be made payable within twenty years, even though they be issued for parks or works; debentures for parks may be issued payable in one sum in forty years, and for works at unlimited date if payable in one sum, provided they be not for gas or water-works, and that they be made payable "within the probable life of the work," (section 621, sub-section 2.)

As payment by instalments, is the surest and safest means of securing redemption, the technical rendering of the enactments can scarcely be the intention of the legislators.

I am of opinion, that, there should be no restriction as to date of payment of debentures issued for permanent works, provided that the provisions of section 621, sub-section 2, be strictly adhered to. There is a vast difference between the most indestructible and the most perishable of public works; and almost all shades of difference between the two extremes. Many improvements may very properly be the occasion of debenture debt, with great financial advantage, and yet not warrant deferring redemption, even for twenty years.

On no account should permanent debentures be issued by any municipality, unless and until, permanent and comparatively everlasting works have been acquired to an equivalent value. Debentures issued for payment of land purchased for a public park, may be made permanent, not only with prudence and propriety, but with the greatest possible attending benefit to the community. I assume, that, as a matter of common sense, legal restrictions will be enacted governing the issue of permanent debentures. This being done, of course property so purchased, will be required to be permanently and untransferably vested in the municipality; unless and until powers of sale given to the holders of the debentures is exercised, owing to non-payment of interest. Thus the painful and shameful calamity can never happen to the inhabitants

of seeing their city oases encroached upon until they grow into nothingness. The amount expended in transforming the natural land into a beautiful park, may justly and quite properly be added to the amount of debentures made permanent, to the extent of the value of the improvements that are permanent. More latitude can be allowed in the case of land, than in any other investment, because, in cities, the old saying, "res crescent," is usually applicable to the value of land. The purchase of land of any kind by a municipality may and should be the occasion of the issue of permanent debentures. Justice to the rate-payers demands it. Nothing but land, unless there could be a municipal monopoly of air or water, should be purchased with the proceeds of permanent debentures. Buildings constructed of blocks of granitoid stone, adhered to each other by thin layers of cement instead of mortar, on an indubitably solid foundation, which might last for many centuries, might at first sight seem to warrant the issue of permanent debentures for their construction. It is far better, however, to make the debentures payable at some very long date, as nothing can be absolutely everlasting but the land. The date of payment may, however, be so far remote as to reduce the annual sinking fund to a comparative trifle.

The principle governing the date of payment, in justice to the ratepayers, both of the future and the present, should be, as far as is possible, to make the period during which interest and sinking fund are being paid, agree with the period during which the inhabitants or owners for the time being are enjoying the results of the application of the funds borrowed. A careful consideration of what I have said will convince the hearer or reader that, if the principles I have enunciated be strictly adhered to, this result will be accomplished as nearly as the mists which veil the future will admit of.

EXERCISE OF POWERS.—Should any municipality have become involved to an extent rendering it inconvenient to the ratepayers to meet the obligations, it would be right and extremely convenient to adjust the payments by reorganizing the debt on the principles I have laid down. That is, to issue permanent debentures for land acquired, and other debentures at various dates corresponding with the expectant life of each work respectively, the proceeds to be applied in purchasing and redeeming existing debentures.

In considering the expediency of incurring any debenture debt, of course it is unnecessary to say, that, the first question to be looked to, is, the ability of the ratepayers to meet the interest and sinking fund, without having to pay an excessive rate of taxation. In this connection, however, the result of the work-forms a very important element. The work to be undertaken may replace that which is a source of great expense. Then again the construction of the new work may be calculated to increase the ratepaying power of the municipality.

Before any work is undertaken, or estimates therefor adopted or any by-law drafted for authorizing an issue of debentures, a careful comparison should be made of the relative annual cost to the ratepayers, of all the various modes of construction that are worthy of consideration. The sinking fund necessary to be set aside annually, is so very much less in proportion to the debt, on long date debentures, than on those of comparatively short date, that this question is of vital importance, assuming, as I do, that power will be given (if indeed it does not already exist) to issue debentures at any date warranted by the durability of the works. The effect of compound interest on the annual amount invested as sinking fund, is such, that by deferring the time for the redemption of the debt, a work of much greater durability, utility, or other advantage, may be secured at the same annual cost to the ratepayers.

I give an example here, which it must be remembered is not adjusted from actual estimates of any work, but is only for the purpose of illustrating the principle.

A certain work is proposed. The engineer reports that it can be constructed for \$500,000, but that if another \$200,000 be expended, it can be made almost indestructible. An estimate is made of the relative cost to the ratepayers as follows:

Amount.	Time.	Sinking Fund.	Interest.	Total Annual Rate.
\$500,000	20 years	\$15,121.30	\$25,000	\$40,121.30
700,000	50 years	3,343.72	35,000	38,343.72

The interest, as you will see, is assumed to be 5 per cent. The valuation of the yearly sinking fund is made at the same rate, capitalized yearly according to law.

Assuming interest to be 4 per cent, the figures will be:

Amount.	Time.	Sinking Fund.	Interest.	Total.
\$500,000	20 years	\$16,790.87	\$20,000	\$36,790.87
700,000	50 years	4,585.14	28,000	32,585.14

I have computed the annual amount of sinking fund according to present law—compounding the interest *yearly*.

It should always be the aim of municipal boards to secure works that will outlive the redemption of the debts incurred for their construction. This result is more likely to be attained by acquiring works of the greatest durability, notwithstanding deferment of redemption. The nearer the approach is to the everlasting, the least costly is the work in the end.

RECITAL OF DEBTS.

The provisions of chapter 184, section 628, sub-section 2 (page 1996), excluding from the recital of debts of a municipality, in its by-laws, debts incurred on the security of local assessments, is a radical mistake. It is well to state how much of the debt is thus secured, but full particulars are justly due to purchasers of debentures, and when given tend to increase the standing of the municipality at home and abroad.

REGISTRATION.

The provision of section 353 (page 1865) is, if possible, still more strange and unaccountable. It provides that debentures issued for local improvements, may, or may not be registered, at the option of the municipality. The utility of registration is greatly lessened thereby. Not only should reference to the registry office reveal the general debt, but every debt of the municipality. Indeed debts for local improvements call for registration more than general debts, because a special and preferential lien on certain properties is thereby created, and such lien should be exhibited by the records of the registry office for reference concerning the properties affected. There is no valid reason why the registry office should not exhibit every lien upon the municipality as a whole or locally, just as fully as in the case of separate properties held by individual owners. It is needless to add that every cancellation of a by-law should also be registered.

SINKING FUND.

COMPUTATION.—Section 340, sub-section 4, (page 1860) provides, that, in estimating the sum to be raised annually as sinking fund, the interest is to be capitalized yearly. As almost all debentures bear interest payable half yearly, the statute should read "capitalized half-yearly on a yearly estimate." The amount provided as sinking fund, may be assumed to be raised annually, but so soon as the annual amount is actually invested, it bears in most, if not in all, cases, half-yearly interest, and such interest is, or should be re-invested immediately it is received.

ADJUSTMENT.—Each year, before placing in the estimates the amount required to be raised for sinking fund, under the various by-laws, a valuation should be made to ascertain whether the existing investments have amounted to the sum originally computed as that which would be on hand at that date. If the fund be deficient it must be augmented by adding the necessary amount to the ordinary yearly appropriation.

If it be found that the rate of interest being realized is less than that assumed in making the original computation, the annual amount to be set aside as sinking fund must be re-estimated on the basis of the decreased rate of interest.

Should it be the case that any municipality has neglected these necessary precautions for some years, it would be well in such instances to cover present deficiency in the computation of the necessary annual amount in the future.

If these precautions are taken, fractional adjustments are effected from year to year, which prevent the possibility of such an awkward predicament as that of finding the fund short when the debentures mature.

Should any work become useless or require renewal before the debentures issued for its construction are redeemed, if it is practicable, provision should be made for setting aside the present value of the interest and sinking fund to mature in respect of such debentures before other debentures are issued for re-construction.

INVESTMENT.—I am very decidedly of opinion that the investment of the sinking fund should, as far as is possible, be the purchasing of the debentures of the same municipality. This

system has all the advantages of paying debentures by instalments, while at the same time it does not interfere with the profitable sale in the first instance. There is no risk of loss, and there are no collections to make in realizing on investments.

A municipality quietly buying in its own debentures, creates a demand for them in the market. The result is, that, investors finding at all times a ready sale for them at good prices, the demand increases and is always brisk. The tendency is, to enable such a municipality to decrease the rate of interest on subsequent issues.

It must, of course, be borne in mind that, if the sinking fund is so invested, the amount of the coupons must be paid to sinking fund and invested in that behalf, the same as though the debentures bought, were those of another corporation.

EXPENDITURE.

The period between the elections and the time for striking the rate, should be largely occupied by the council in discussing the entire needs of the municipality. In dealing with the question of repairs, it should, in each instance, be deliberately considered whether a new work would be less expensive in the end, than patching and mending for temporary necessities. Comparative statements should be submitted, shewing, in each case, what annual amount would be necessary to provide for interest and sinking fund to secure a new work, and what amount would otherwise be necessary for repairs.

The interests of the several wards or parts of a municipality should be duly considered, but not in such a way as to lose sight of the general welfare of the whole. If from any cause there remains a balance unexpended of the previous year, it is right and equitable that such surplus should be credited to the wards or divisions, in proportion to their contributions as per assessment rolls. If this were done, there would be less jealousy regarding the amount expended in each division in any particular year. Expenditure in this connection, not provided for by local taxation, would, of course, be charged respectively. It is not necessary that, in each and every year, a proper proportion of the taxes raised and available, should be actually expended in that

year, in each locality. One ward may be allowed certain improvements in one year, and another in another year. The necessities in each case should be considered for the time being, while the permanent standard should be maintained.

If the council is aware, that, from any cause, the ratepaying power of the municipality is weak during the year current, and there is a balance unexpended of the taxes of the previous year, it is right to appropriate such balance towards the reduction of the taxes for the current year.

STRIKING THE RATE.

Chapter 184, section 357 (page 1867) provides, that, the aggregate rate, exclusive of school taxes, must not exceed two cents in the dollar on the actual value. As such a rate, on a five per cent. valuation, would be equal to forty per cent. of the income, in addition to school rates, it needs no argument to show that such extreme limit should never be approached. It is my opinion that, with the qualification of sub-section 2, the limit should be reduced nearly one-half.

In striking a general rate, the various local assessments should always be taken into consideration, because the owners or inhabitants in each locality, cannot be supposed to be able to bear an excessive rate of taxation, even though they have improvements peculiar to themselves. School or other general rates, to be levied separately, must also be taken into consideration for very similar reasons.

The estimates should be considered in order;

1. Demands for government, county, law, school, or other estimates of amounts to be raised separately or otherwise.

Interest and sinking fund for the year, including amount, if any, necessary to adjust the sinking fund.

Unpaid claims of all kinds, matured and not satisfied or provided for.

Local assessments of all kinds.

2. Expenses.
3. Contingent expenses.
4. Repairs.
5. Improvements.

The first group of items *must* be provided for.

If current expenses added, requires a heavy rate, each item of expense should be carefully considered, with a view to possible retrenchment.

If the question of repairs has been duly considered, in relation to new works, this item can be intelligently dealt with at the meeting.

The securing of improvements out of current revenue, can only be entertained when provision for the other items would require but a low rate of taxation.

If it be clearly seen, that, improvements of a temporary nature not warranting debenture debt, can be accomplished out of rates to be levied, it is well to arrange that the cost of the improvements decided upon, be charged to the ward or division benefited; and that at the end of the year, each ward or division be credited with its proper proportion of the surplus of taxes after providing for the unavoidable expenditure. By this system, it will be seen from year to year, what the relative claims of the various wards or divisions are, upon the general funds. At the same time it will prevent wasting the funds, by dividing them for expenditure in each year.

Should it be found that the rate necessary to provide for the entire estimates is extremely low, it is well to consider whether any circumstances will probably necessitate a much higher rate in the following year. Also to anticipate improvements not warranting debenture debt, but yet too costly for the amount to be levied in any one year.

Provision may very properly be made to meet such future demands, without inconvenience to the ratepayers, by adding a suitable portion of the prospective expenditure to the amount of the estimates, to be covered by current assessment.

It may often occur that, by husbanding the resources of two or more years, preparation may be made for more satisfactory repairs or improvements than could possibly be effected by spending each year the total amount collected.

In computing the amount of taxes resulting from a given rate due allowance must, of course, be made for unrealized taxes under such rate.

ASSESSMENT.

The principles adopted in legislating should, by enactment, be applied consistently and equitably; and due means should be provided for carrying out the system imposed. The provisions of the Assessment Act, chapter 193, Revised Statutes, are very far from meeting these requirements.

Section 31 (page 2099) provides, that interest on debts owing may be deducted from amount of income to be assessed.

Section 7, sub-section 21 (page 2088), provides, that debts owing, not secured on real estate or due or owing on a purchase of real estate, may be deducted from the value of the personal property to be assessed.

Observe here, that, as regards personal property, the principle is established that liabilities are to be deducted from assets.

Sub-section 16 of the same section provides, that, mortgages upon land, or balances due for sale of land still held, and debentures of the Dominion, Province, or any municipality are exempt.

Sub-section 26 incidentally mentions, that interest on mortgages is not exempt. It reads, "Rental or other income derived from real estate, except interest on mortgages."

I have not observed any mention in the Act, of interest on debentures, but as sub-section 16 ends with these words, "and such debentures," and as debentures carry coupons representing the interest, the inference is, that, even the interest on debentures is exempt.

Sub-section 19 provides, that, stock in railway companies, building societies, and companies for lending on real estate, is exempt, but that the income derived therefrom shall be assessed.

Sub-section 17 provides, that, stock in banks is exempt, and that only the income derived shall be assessed.

Section 34, sub-section 2 (p. 2100) provides, that, the personal property of banks, railway companies, and certain other corporate bodies is exempt; but that the shareholders shall be assessed on the income they derive from such companies.

MORTGAGES.—It will be seen that, the principle of deducting liabilities from assets, has been established by law, in assessing personal property. Why should not the same principle be carried out in assessing real property?

The holder of a mortgage is, practically, the holder of the real estate. The equity of redemption is all that is held or owned by the nominal holder. Technically the mortgagee is the owner or holder, subject to this equity of redemption.

So long as the nominal holder of real estate is assessed for the full value, notwithstanding encumbrances existing, it is right; that neither the individual holder of a mortgage, nor the company advancing money thereon, should be also assessed for any portion of the value of such property; for indeed for the interest, any more than if it were rent; but why should not each party pay taxes for the proportionate interest he holds in such real estate?

This question is of much greater moment than would be supposed at a superficial glance; and the ramifications of the evil of thus viewing assessments from an erroneous standpoint are almost illimitable.

At first sight, it would appear that, from a municipal point of view, it matters little who pays the taxes, so long as they are secured on the real estate. On consideration, however, it will be found, that a principle underlies this question, which materially affects other provisions of the law, by which a large amount of what should be assessed is exempted from taxation. This amount goes on increasing, year after year, as fast as capital is withdrawn from active business.

Before passing on to the question of exemptions generally, let us pause and consider the working of the assessing of real estate under existing law.

One man invests his capital in real estate; he must pay taxes on the full value. Another man lends his money on the security of real estate and the personal security of the borrower; he is free from taxes except as regards those levied on the amount of the interest earned. Is this *right*?

Again, a man borrows money on his real estate, to improve it. He does not add to his capital thereby; he only increases the value of the property, which he then only nominally holds. He must pay taxes on the increased value, while the capital lent to him is free from taxation except as regards interest. Is this *right*?

Again, a merchant mortgages his real estate for a certain sum, and puts the money into his business. He must pay increased taxes to the extent of rates levied on this additional amount of personal property, while no reduction is made on the taxes payable by him on his real estate, although his capital has not been increased. Is *this* right?

Once more, one man rents a farm from the owner; he pays no taxes on the land. Another owns a farm subject to a mortgage, the interest upon which would represent the rental of more than half his farm; he has to pay taxes on the whole value. Is this right?

I have no prejudice in favour of one class of the community any more than another. My object is to contribute ideas towards the solution of questions affecting the well-being of the community at large. While I assert with emphasis that the capital invested in mortgages should be taxed as against the mortgagees, and the nominal holder of land relieved to that extent; I fail to see why the holder of a mortgage, who thereby acquires an interest in a property miles away from the boundary of the municipality in which he lives, should be taxed where he may happen to reside, even on the interest he derives from *this* investment. The mere fact of his living in a certain municipality and spending his income there assists many other classes of ratepayers to meet their just taxes. Indeed I cannot see why interest on mortgages should be taxed at all any more than rental. The taxes have been paid by some one on the whole property from which such income has been derived.

It is within the verge of possibility, if not probability, that the taxes on certain farm lands might be even less than city taxes on the income derived therefrom.

It may be argued, that, in the case of city properties, the assessing of mortgagees, as owners of real estate to the extent of the claims under such mortgages, would only have the effect of increasing the rate of interest charged on such loans. We have nothing to do with this, in the discussion of municipal affairs, any more than we have with the effects produced on the price of goods by taxing the personal property of the merchant. These things must adjust themselves from the result of competition and the

proportion which supply bears to demand. What is right should prevail, and the issues will take care of themselves.

Assuming that my views were endorsed by the public at large, the next question is, how could they be carried out? I would say by a very simple process. Section 24 (page 2097) provides that, "any occupant may deduct from his rent any taxes paid by him if the same could also have been recovered from the owner, or previous occupant, unless there is a special agreement between the occupant and the owner to the contrary." The liability, once established by law, a clause of similar purport to above, is all that is necessary. In the case of a property occupied, this would suffice for the convenience of both mortgagor and mortgagee. In the event of a property being unoccupied, the mortgagee has to look after taxes to secure him, even under existing law.

PERSONAL PROPERTY.—It will be seen, by the provisions of the Assessment Act, that the farmer, manufacturer, or merchant is to be assessed on the amount of capital invested in his business; while the man, who, having accumulated capital, has withdrawn from active enterprise and invested his money in debentures, loans on real estate, bank or railway stocks, &c., is only assessed for the amount of interest earned thereon; and apparently not even for all of that! Is this right? Is it just? Is it equitable?

The law governing assessment should provide for the consistent carrying out of some well-defined principle. If incomes should be assessed in all cases, or capital, no matter how invested,

There are grave difficulties in the way of carrying out the income basis, both as regards unproductive real estate, and various and unascertainable incomes. These matters are so well understood that it is needless to enlarge. Assuming then, that the basis must, of necessity, be that of capital, it becomes necessary to assess every member of the community on this basis.

Why should he who makes a large percentage on his capital, accompanied by heavy risk, in active business, pay taxes on his capital, while at the same time, one who has retired from active business, and earns a smaller percentage with less risk, pays only on a portion of his income, reckoned as his capital? It is simply absurd! On an income basis, each would be assessed on the

earned on their respective investments. On a capital basis, the capital should in every instance be assessed no matter how invested, even though it be only deposited in a bank or hid by in an old stocking.

Of course, if income be taxed, the capital producing it should not, and if capital be taxed, the income derived therefrom should not.

It seems perfectly right, not to tax a bank or a railway for its capital, because the stock may be, and usually is, contributed largely from those outside the municipality where the head office is situated. Even locally, the personal property held at the agencies, bears no direct relation to the stock held by the inhabitants at such places respectively. The same principle, however, applies with equal force to many other corporate bodies. In every instance, the stockholders personally should be assessed. If, however, the companies be assessed, the stockholders should not be individually assessed for the same capital, nor for the interest or profits earned thereon.

The taxing of all capital, or all income, as the case may be, either one or the other, exclusively, is of vital importance to each municipality, and necessary to its permanent welfare. The exemptions in favour of capitalists out of active business, are simply appalling to the contemplation of the struggling mass of the active population. The very men who ought to contribute the heaviest, are those comparatively exempt from taxation. Debentures! mortgages! building and loaning companies' stock! bank and railway stocks! almost all capital, exempt, not invested in agricultural, manufacturing, or mercantile business! Every debenture bought, every loan granted on real estate, every share taken in a bank, railway, or building or loaning company, by a farmer, manufacturer, or merchant, removes so much capital from the reach of taxation.

If the provisions for assessing were consistent and uniform, the result would be a material increase in the aggregate amount assessable on a capital basis, or the same result to ratepayers on an income basis. More than this, a growing evil would be checked. The comparative depletion in the amount assessable, compared with the increase of wealth, would be prevented; and the amount

assessed would steadily increase with the increasing prosperity of the community.

Since the compilation of the Revised Statutes, I notice that at the last session of the Provincial Legislature, another exemption has been added to swell the lists—namely, farmers' live stock. See 51 Vic. ch. 29, sec. 3. Why the live-stock of a farmer should be exempt any more than the inanimate machinery or plant of a manufacturer, I fail to see!

PERSONAL EARNINGS.—The provisions for assessing personal earnings, literally construed, are somewhat amusing.

Among the exemptions named in section 7, sub-section 23 (page 2088) reads thus: "The annual income of any person derived from his personal earnings, provided the same does not exceed \$700." The inference to be drawn from this, technically and grammatically, is, that if the earnings exceed \$700, neither the whole nor any part is exempt.

Sub-section 24, however, reads: "The annual income of any person to the amount of \$400, provided the same does not exceed \$1,000.

Section 31 (page 2099) provides, that "no person deriving an income exceeding \$400 per annum from any trade, calling, office, profession, or other source whatsoever, not declared exempt by this Act, shall be assessed for a less sum as the amount of his net personal property, than the amount of such income during the year then last past, in excess of the said sum of \$400."

By these enactments it will be seen that, so long as the salary of a clerk does not exceed \$700, it cannot be taxed. If, however, it is increased to \$750, it must be taxed to the extent of \$350. When it reaches \$1,050, it must be taxed for the full amount. Surely this cannot have been the *intention* of the legislators!

I am of opinion that, if personal earnings, whether spent or not, are taxed, there should be some definite fixed sum out of such income declared exempt. For my own part, however, I am quite convinced that income from personal earnings should not be taxed at all. To tax personal earnings is no more nor less than taxing labor. This I conceive to be wrong from every point of view; unsound in principle and unwise in policy.

ASSESSING.

It is of the utmost importance, both as regards the municipal treasury and the individual ratepayers, that the valuation of the property assessed, should be as exact as possible; and that nothing assessable be omitted from the rolls. If this be not effected, the candid and conscientious ratepayers are those who suffer.

Under-valuation tends to injure the credit of the municipality, because not only does the property appear less valuable than it really is; but the rate levied is necessarily higher to produce the required amount of taxes. The municipality thus appears to be not only less wealthy, but also more extravagant, than is really the case.

It is, however, equally important that there should be no over valuation; for, not only is this dishonest to the creditors of the municipality, but dangerous to the ratepayers as encouraging heavy taxation.

Assessors are too apt to err in under-valuing. It is to be feared that this is done to a very great extent, in most cases of personal property, especially where the amounts are large. Why should not the amount in every instance be an exact valuation? This is required by law, as I shall proceed to show; but if it were the practice, and known to be so, ratepayers would be more candid with assessors and more likely to reveal correct values.

In assessing personal property, it would appear that, a guess is ventured, and if there be no appeal, it stands at that amount.

In valuing real property, it is simply a matter of appraisement; but how is it possible to appraise the capital of a manufacturer, or a merchant, or the income of a professional man?

The theoretical provision of the law is plain enough. Section 26, sub-section 1 (page 2097) reads, "except in the case of mineral lands hereinafter provided for, real and personal property shall be estimated at their actual cash value, as they would be appraised in payment of a just debt from a solvent debtor."

How is it possible for an assessor to value the amount of liabilities in excess of outstanding assets, to know what may be deducted from the visible machinery, tools, merchandise, &c., which are tangible, unless he examines the books in which the transactions of each business respectively are recorded? How is it possible

for him to value the income of a professional man, commission-merchant, broker, and such like, unless he is shown all the transactions?

Section 42, sub-section 1, (p. 2101), provides that, "It shall be the duty of every person assessable for real or personal property," "to give all necessary information to the assessors, and if required by the assessor," "he shall deliver to him a statement in writing, signed by such person (or by his agent, if the person himself is absent) containing all the particulars respecting the real or personal property assessable against such person, which are required in the assessment roll; and if any reasonable doubt is entertained by the assessor of the correctness of any information given by the party applied to, the assessor shall require from him, such written statement."

How is the assessor to know, in the first instance, whether the information given is correct or not? What is the practical effect of these provisions? Immediately an assessor asks for a statement in writing, he proclaims to the ratepayer that he doubts his word! When he gets it, he is no better able to judge of its correctness in writing than by word of mouth! Is this, however, a proper position to place the assessor in? Is he to be expected to make such an invidious distinction between one ratepayer and another? The statement should, in every case without exception, be made in writing and under oath. Why should not each ratepayer be required to make returns of the actual value of his personal property, and be held responsible for his statements, with the same exactitude as would be required of him in respect of imposts or excise duties?

ACCOUNTS.

Before proceeding to enunciate my views regarding the keeping of municipal accounts it is necessary to deal with questions which affect the preparation of the books to be used.

ARREARS.—There should be, in my opinion, a more simple and concise method of dealing with arrears of taxes. It would serve no purpose in view, to recite in this paper the various enactments from section 140 to 159 inclusive, and those of 204 to 209 inclusive, providing the most cumbrous system that could well be

imagined, because if my views should prevail these provisions would necessarily be re-modelled.

I fail to perceive that any advantage is to be gained by anyone from the reporting of arrears by the minor municipality to the county, unless and until the arrears have reached that point when the land is liable to be sold for taxes.

After the time has passed during which taxes ought to be paid in each year, a return should be made by the minor municipality to the county, shewing what properties are then liable to be sold for taxes. Only between such date and the day of sale, and only concerning such properties as are liable to be sold, should it be necessary to apply to the county officer at all. A sale should be held by the county officer once only in each year, when there is any property liable to be sold. Such sale should be held before the time for striking the rate by the minor municipality. Immediately after such sale the county officer should make a return to the minor municipality, showing the result of each sale, and remitting the money collected, after deducting his charges, if he be entitled by law to make any charge. The transactions of each year should thus be closed and balanced. The only record necessary on the part of the county officer is a full account of the circumstances connected with each sale and its result. It is not necessary that the county officer should keep any further account concerning arrears of taxes. This system and process should go on from year to year, the county officer acting each time solely on the new report handed him from the minor municipality.

It is quite immaterial, to my mind, which county officer is responsible for the holding and carrying out of these sales. If I had the framing of the statutes, I should be inclined to enact that the sale should be held by the sheriff.

The full record of arrears should remain permanently and continuously with the minor municipality, in the rolls brought forward from year to year. Thus the arrears are kept alive against each property not sold, for the continual use of collectors, treasurers, clerks, and ratepayers in the several municipalities where the assessments were originally made. Each sale should also be recorded in the several rolls respectively.

In the case of cities, the treasurer is, or should be, in possession

of the necessary information, and has simply to record the sales receipts.

TIME OF BALANCING—It is extremely desirable, in organizing the simplest method of keeping accounts, to arrange for the balancing and annual statements to be rendered at the proper time.

The present system of balancing at 31st December, is extremely awkward. A considerable amount of taxes assumed to be collected by that date, are, as a matter of fact, collected afterwards. The date of the balancing of the books, need not, and does not, influence results in this respect. Punctual payment has to be encouraged either by discount allowed, fine for omission, or summary measures.

The proper time for balancing the books of a municipality is when? Do you not all grasp the idea before it is expressed? When should it be, but after the assessment is completed, the revision is ended, the rate is struck, the clerk has had the taxes extended and is ready to insert in the new rolls the arrears of taxes from the rolls in use, and all is otherwise ready for the collector to commence his work in connection with the new roll? Then it is that the treasurer should close his books and hand over to the clerk the old rolls. While the clerk is entering the arrears in the new rolls, the treasurer should be balancing his books.

The clerk, while entering the arrears in the new roll, having thus both before him, can detect any omission or inconsistency in the new rolls.

When the clerk has completed his entries of arrears in the new rolls, the treasurer should check these entries as agreeing with the old rolls, which may then be filed away as a record of the past.

The clerk should, as at present provided by law (section 135, page 213), be the party to notify all ratepayers in arrears. The wisdom of this arrangement is so apparent that comment is needless. It is really refreshing to be able to eulogize a provision in Statutes such as the Municipal and Assessment Acts.

Assuming that amendments, such as I have recommended, are effected as regards arrears and date of balancing, I now proceed to describe the system of accounts which I have to suggest, beginning with the assessment roll.

It should be a fundamental principle, in devising any system of accounts, to avoid all unnecessary repetition of labour. Where this is accomplished, liability to error is necessarily reduced, and time is saved whenever it becomes necessary to refer to original records.

ASSESSMENT ROLLS.

The assessment rolls, being the source from whence the taxes due by each ratepayer are computed, should unquestionably, if practicable, without sacrificing other necessary considerations, be the same books in which the payments, under the assessment are recorded.

In the case of a township or village this cannot be done without very serious objections, more than sufficient to counterbalance the advantages to be gained. The collectors, as a rule, have their offices at their own dwellings, and the collectors' rolls are in private hands, at private residences or carried about. They might be lost or destroyed by fire. If no other record of the assessment existed, should the necessity arise for the reproduction of collectors' rolls, a new assessment would also be required. The remotest possibility of such chaotic results is sufficient to banish all idea of using the assessment rolls as collectors' rolls in the minor municipalities. The labour, however, of re-writing the names, addresses, amounts, &c., in the case of a township, is comparatively light.

With regard to cities it is very different. The collector's office is, or should be, in the municipal buildings. Indeed, it ought to be adjoining the treasurer's office. The rolls should never be removed from the municipal offices. After all the ratepayers have been duly served with notices of taxes payable, the rolls can be kept in the treasurer's office. They would, however, be perfectly safe in the collector's office, should they be required for use there. They could, in that case, be obtained from the treasurer every morning and returned to him every night, if such a precaution were deemed necessary.

If the statements rendered to the ratepayers, show all the component parts of the taxes payable, precisely as they are extended in the rolls, as should always be the case; and if these

statements be required to be brought to the collector's office, when payments are made; and if the collector's cash book has the necessary columns identical with those in the rolls, the posting should be done in the treasurer's office.

After very careful consideration, I fail to discover any objection to an assessment roll for a city being used as collector's roll, beyond such as, if valid, would necessitate every record of the municipality being kept in duplicate.

The size of the book necessary might frighten one at first thought. I find, however, on analyzing the provisions of the statutes, section 14, sub-section 3, (page 2091) that many columns of the assessment roll are applicable only to farm lands and to those engaged in agricultural pursuits. By omitting these the horizontal space occupied by the necessary columns is reduced nearly one half; so that no insurmountable difficulty exists as to the size of the book required to serve for both purposes.

I would note here that section 119 (page 2125), requiring the clerk to make out separate rolls, would have to be amended, as well as section 11.

COLLECTOR'S ROLLS.

As I have endeavoured to show, the collector's rolls in cities, should be, the extension of the assessment rolls. It remains to exhibit what columns should be added to provide for collecting. When this is done, the same form is available for separate collector's rolls, in addition to those columns of the assessment roll which have to be copied. In either case, the last column to the right, preceding those I shall name, should show the value of the property assessed. The two columns immediately preceding the assessed value, should contain the name and address of the ratepayer.

I will proceed to the right hand, numbering the columns for brevity and convenience.

1. Two money columns; one for additions to, and the other for subtractions from, the assessed value.

2. Two columns; one broad and the other for money; to record revised assessments, and the authority therefor.

3. Current rates in detail; as many money columns, as there are various rates to be kept separate in the ledger.

4. Total current taxes payable in each case.
 5. Date of demand by the collector, or the serving of the notice, as may be required by law.

6. Repetition of the number on the roll. The clerk should fill in the number in this column, when the rates are extended. This is a check upon the extending of the taxes on the right line. The collector is reminded by this, to mark the number on the bill of taxes. It also facilitates the posting of payments in the rolls.

7. Current taxes paid; columns for date of payment, number and folio of collector's cash book, and amount.

8. Arrears of taxes; as many sets of columns as there are years of arrears necessary to be kept separate. Each set of columns should have one for each rate kept separate in the ledger.

9. Arrears of taxes paid; columns for date of payment, number and folio of collector's cash book, and amount.

10. Date of report to county treasurer of lands liable to be sold for taxes. This column can be utilized by the treasurer of a city, for remarks pertinent to the same subject, such as date of advertising sale, &c., &c.

11. Date of sale for taxes, with room for further particulars and remarks.

12. Taxes written off by the authority of the council, columns for money and reference to minutes.

In cases where taxes are payable by instalments, there should be, between the lines showing the amount due by each ratepayer as many faint blue horizontal lines as there are instalments which may be paid separately.

To use a hackneyed phrase, "imagine the thing done, and see what it looks like."

For cities, the routine would then be as follows: The assessors take the blank rolls, and fill in the particulars and valuations required by law; adding up the columns requiring addition and initialing the totals, they sign their reports, making the necessary affidavits, and hand the rolls to the clerk, completed as far as their work is concerned. Thenceforth the rolls are lodged in the public offices of the municipality, never to be removed, unless and until, from lapse of time, they become utterly useless, and are destroyed as rubbish by authority of the council. After the

Court of Revision has completed its work, and every revised assessment has been recorded on the rolls in the presence of the Court, the clerk extends the various rates and the total payable by each party assessed; adding up all the columns and certifying to the correctness of the work, he awaits the arrival of the day fixed for closing the books. When that day arrives, the treasurer hands the old rolls to the clerk, posted to date. As I said before, while the clerk is entering the arrears the treasurer is balancing his books, which of course have been kept balanced every month. When the clerk announces that the arrears are brought forward in the new roll, and added up respectively, the treasurer checks the totals, by seeing that taxes paid and written off, if any, added to arrears, balance exactly with taxes levied in every division of each year's taxes. The treasurer then certifies to the correctness of the clerk's certificate as regards arrears. The clerk then notifies all parties in arrear, and hands the rolls to the collector. The collector makes out the accounts, numbering each one, as numbered on the rolls. The printed form used for this purpose should specify each separate rate, and in the same order in which they appear on the rolls. There should be a notice thereon, requiring each ratepayer to present it when tendering payment, and stating that if lost or mislaid, a duplicate must be applied for of, and will be supplied by, the *treasurer*. This will effectually prevent the collector being worried, by having to give information, while his hands are full receiving money; while at the same time it will remove all difficulty in the way of keeping the rolls in the treasurer's office. This notice should be printed in ink of a different colour from that used in printing the body of the tax account, and should be made conspicuous. There should also be a notice, printed in heavy type, demanding payment on or before a certain day, and reciting the loss or penalty incurred by non-payment then or previously. This notice should specify exactly where such payment is to be made, giving the number or other full description of the collector's office, in the municipal buildings. The collector serves these notices, recording the date of service in each case, and so soon as all notices are served, he certifies to the fact on the rolls and hands them to the *treasurer*.

Just here, a thought occurs to me. Would it not be a mercy to

the employees in the collector's office, as well as a great convenience to the rate-payers, if the by-law of a city fixing the date, on or before which taxes must be paid, were to name a separate day for each ward?

COLLECTOR'S CASH BOOK.

The collector's cash books must next be considered. For a township, village, or small town, where the payments are not too numerous to admit of one person at a time receiving cash, of course one cash book is all that is necessary each day. This, however, should be in two volumes; each used alternately during the day, week, or month, respectively, intervening between the periodical deposits with the treasurer.

In the case of cities, however, at certain periods of the year, it requires several persons to wait on the rate-payers simultaneously. For want of a proper system, I have known loose sheets of paper to be used by the collector's assistants. Yet, it almost seems insulting to the good sense of the public, to say nothing of the judgment of an expert, to utter anything so self-evident as to say that this should never be done under any circumstances. There should be a sufficient number of subsidiary cash books to serve the purpose. These should be in two sets; each set in consecutive alternate numbers; one odd and the other even. The odd-numbered set should be used one day, and that with even numbers the next; and so on continuously. These books should be ruled precisely the same as the collector's general cash book.

For the guidance of inexperienced young men, who may be entrusted with the receiving of money, I would note, that, the amount received, should, in every instance, be entered in the cash book, before the receipt is signed, or the money placed in the till. Only one assistant should use the same cash book on the same day; and he should keep the cash received by him separate from all other cash received. At the close of the day, each assistant should balance his cash, and sign his name opposite the amount in the book which he has used. The collector should also sign his name in the same book, acknowledging receipt of the amount from his assistant. The collector should enter in his general cash

book, the totals of each subsidiary book, and balance his cash, then and there, and hand over to the treasurer the amount along with all the subsidiary cash books containing the details. When such a collector personally receives payments of taxes, he must also use one of the subsidiary books for recording the details. If from any cause, such as extreme press of business or deficiency in his staff, the collector has not secured the proper filling in of the component parts of the taxes in all the subsidiary books, the details neglected can be filled up in these books on the following day in the treasurer's office.

With regard to the cash received from the ratepayers, by the collectors, it seems needless to state, as I have done, that in cities it should be paid over daily to the treasurer; the propriety, utility, and convenience being so apparent. Yet, I have known a collector to bank the money himself, and hand cheques to the treasurer from time to time for round sums. In minor municipalities, where the officers often live miles apart from one another, and where there are no municipal offices, properly so called, the collector cannot report and account to the treasurer daily. He can, however, monthly, or even weekly, and every time it should be the handing over of the exact amount collected to that date, with the full particulars. In fact, as explained, the handing over of the cash book last used, along with the cash collected.

The collector's cash books and the subsidiary cash books should all be ruled as follows, commencing at the left hand and proceeding to the right :

1. Date of receipt.
2. Name of ratepayer.
3. Address of ratepayer.
4. Number on the roll.
5. Amount of taxes received (total).
6. A set of columns corresponding with the roll, shewing component parts of current taxes, the totals of which have to be posted separately in the ledger.
7. The same set of columns, for as many years of arrears as are necessary to be kept separate. The last of these to contain the oldest arrears, including all not separately provided for.
8. Date and amount of money paid over by assistant to collector, or collector to treasurer, as the case may be.

9. Two spaces for signatures; one certifying to correctness, the other acknowledging receipt of amount.

Columns 2, 3, and 4, in the general cash book, can be utilized for inserting the name of the assistant, and the designation of the subsidiary book used by him. Thus one printed form will answer for both purposes.

It now remains to point out the surprising provisions of the statute regarding collectors. Chapter 193, section 132 (page 2129) reads thus:

"In towns, villages, and townships, every collector shall return his roll to the treasurer on or before the 14th day of December, in each year, or on such day in the next year, not later than the 1st day of February, as the council of the municipality may appoint, and shall pay over the amount payable to such treasurer, specifying in a separate column on his roll how much of the whole amount paid over is on account of each separate rate; and shall make oath before the treasurer that the date of the demand of payment and transmission of statement, and demand of taxes required by sections 123 and 125 in each case, has been truly stated by him in the roll."

Section 134 reads: "The council of every city may, by by-law, fix the times for the return of the collector's rolls, and any enlargements of the same."

The return of the rolls, and the payment of the cash are in both cases assumed to be at the same time, and such time that of the final report by the collector!

The reader stands aghast! Is the treasurer to lend the municipality all the funds wanted for disbursements, until the collector has finished his work? Is the collector to be allowed to make all the interest he can upon his collections, until the time comes when he must make his final report, and hand over the money collected? Or what is to be understood by these provisions?

TREASURER'S CASH BOOK.

The Treasurer should have a column cash book in two volumes—one for receipts and bank deposits, the other for bank cheques and payments. In every instance where deposits are made in more than one bank, or special deposits in the same bank, a sepa-

rate column with suitable headings must be used in each volume. The advantages of this system are so obvious that to suggest it is all that is necessary. The volume for receipts shows the entire revenue and where it has been banked. The volume for payments shows the entire expenditure, and from what bank account the money has been withdrawn. The room for columns in the same sized book is doubled as compared with attempting to show both receipts and payments in the same volume. The convenience in use and during audit is strikingly apparent.

The volume for receipts should, in addition to the date column and that for describing the entry, which for convenience we will call 1 and 2, be provided with the following proceeding to the right.

3. Ledger folio for items posted separately.

4. Such items.

5. A few blank columns for new sources of revenues arising with frequent transactions, or for unexpected increase of transactions, in accounts not pre-supposed to require separate columns.

6. A separate column for each source of revenue kept separate in the ledger, the transactions concerning which are frequent during the month. These columns must embrace, as the last to the right hand, an exact repetition of the tax columns in the collector's cash books.

7. Total amounts received daily from collector. This column shews simply the addition of the tax columns, but is necessary in case that, from press of business, the collector cannot at the moment of payment, exhibit the component parts of his receipts. It serves as an exhibit of collector's account. It should be distinguished from all other columns, say by perpendicular lines of ink of a different colour from the rest. There should be in this column a sub-column, for the number and folio of collector's cash book.

8. As many columns as are necessary for bank deposits; with a date column to each; or, if necessary, to economise space, one date column for the whole. These should be to the extreme right, except a margin if the paper will admit of it.

The volume for payments should have columns arranged in the following order; proceeding from left to right:

1. Number of voucher.
2. Cheque numbers.
3. Cash columns for the cheques on each bank account separately.
4. Cheques cashed by the treasurer for petty or other payments.
5. Such payments made by treasurer from proceeds of such cheques. These two columns should be enclosed by perpendicular lines of a different colour from the rest. All the payments, of course, should be extended in the proper columns for posting, and all the cheques in the proper bank columns. The total expenditure deducted from the bank cheques exhibits the cash which the treasurer should have on hand, while the repeated items in the treasurer's column deducted from the repeated cheques shows the same balance.
6. Date.
7. Description of the entry.
8. Ledger folio for items posted separately.
9. Such items.
10. As many columns as there are ledger accounts, the items of which occur constantly during the month.
11. A few blank money columns for new accounts not foreseen, concerning which transactions may be frequent.

VOUCHERS.

The most convenient way of numbering vouchers is, to adopt, in every instance, the number of the cheque. If there be a number of payments made from the proceeds of one cheque, such as disbursements by the treasurer in money out of the proceeds of a cheque in his favour, the vouchers should be sub-numbered, with the prefix of the number of the cheque. Should a number of cheques be issued, the receipts for which are covered by one voucher, such as that of the officers' pay roll or otherwise, the voucher should carry the several cheque numbers. If there be more than one bank account, there is nothing to prevent as many series of voucher numbers as there are bank accounts.

There should be an index to vouchers—a complex index for ready reference. A large number of vouchers can be indexed under classified groupings. Many will be for regular periodical payments, against the classification of which in the index it will

be sufficient to record, "monthly," "weekly," &c., without further posting. All vouchers for payments on account of contracts, or for goods purchased, and the like, should be indexed under the name of the individual, firm, or company to whom the payment is due.

The treasurer should not pay any money, or deliver any cheque, without receiving a voucher reciting full particulars concerning the payment, even though there be only one item, or that the cheque be made payable to order.

On making any payment, the last voucher from the same party or parties should always be referred to, to make sure that the same item is not charged more than once.

Every voucher should have recorded on it the number of the last one received from the same party.

PAY ROLLS.

There should be as many pay-rolls (or more properly speaking pay-registers) as there are pay-masters. If, for instance, the wages certified to by the city engineer, or any other head of a department, are paid out by several clerks, each party paying the wages and taking the receipts should be supplied with a separate pay-roll and the proceeds of a separate cheque. The separate pay-rolls must, of course, be made out in such a way as to enable each workman to know who to apply to for his wages.

The pay-rolls should, in every instance, be books; never on any account should loose or unbound sheets be used.

There should be, to the extreme left hand, a column for the folio of the time book or other record from which the wages are made up. If there be no time register, other than the time books of the foremen, column

1, should be wide, and the name of each foreman respectively should be recorded.

2. Designation of the work on which the labour has been bestowed.

3. Designation of the accounts to which it is to be charged.

4. Name of labourer.

5. A column for each day intervening between pay days for recording daily time—that is, if there be no separate general time

register, also a column for the total number of days' work, or this latter column only if there be a time register.

6. Rate of wages per day.

7. Amount of wages due; 8. Totals, per ledger accounts.

9. Signatures acknowledging receipt

10. Remarks. Note here that remarks should never be written in the column for signatures. There should remain a blank against every amount, the receipt of which is not acknowledged. If paid and not acknowledged, the fact can be recorded in the column for remarks, and the signature obtained at first opportunity.

11. As many money columns as there are ledger accounts affected by the payments.

The wages, after being made up and duly checked and certified to by the engineer and other heads of departments, respectively, should be extended in the classified money columns and added up. As I said, a separate cheque should be made out for each roll. This should be made payable to the order of the officer responsible, no matter who he may justly and properly entrust with the paying of the wages. Such responsible officer should sign a receipt for each cheque to his order, reciting therein:

For week ending pay-roll folio

This cheque should be entered in the cash book, and also the totals of the classified columns of the pay-roll, as the details of the expenditure covered by such cheque, before the cheque passes out of the hands of the treasurer.

Should it happen that any wages are unclaimed by the time that the next cheque is issued under the same pay-roll, the unclaimed amounts should be deducted from the new totals of all the columns affected, and a new cheque issued for the balance of cash required, and so on continuously.

If it be thought preferable, or more strictly correct, to record unclaimed wages as a liability, the amount not applied for may be returned to the treasurer in cash and credited to "unclaimed wages."

DEBENTURE REGISTER.

A properly prepared and carefully kept debenture register is of great importance. Not only does it serve purposes of ready reference as to debenture debt, but also as regards maturity. Nor is

this all. It should exhibit such information as will effectually prevent the necessity for keeping separate ledger accounts for each issue of debentures and each relative sinking fund.

The debenture register should have the following columns, commencing from the left hand:

1. Number of by-law.
2. Date.
3. Number of years to run.
4. The work for which they are issued.
5. Debenture numbers, singly, one on each line, no matter how small each debenture or how numerous the whole issue.
6. The sterling amount of each debenture payable in sterling, ruled for pounds, shillings, and pence.
7. The currency amount of each debenture payable in currency, ruled for dollars and cents.
8. Total in sterling of sterling debentures.
9. Total in currency of currency debentures.
10. Rate of interest payable.
11. Yearly sinking fund to be provided. This should be ruled for rate of interest at which the sum is computed, and for the annual amount.
12. Where payable.
13. When due—day, month, and year.
14. When interest is payable—day and two months.
15. Twelve columns, one for each month in the year; each divided into three: 1. Year of maturity. 2. Sterling amount of interest payable in sterling. 3. Currency amount of interest payable in currency.
16. When paid and cash book folio.

Unless in my haste I have overlooked anything, the foregoing is a complete debenture register.

If the number of debenture issues of a municipality are small and not likely to increase much, the space can be curtailed and a smaller book used, by substituting for columns numbered 15 twelve narrow single columns, one for each month of the year, in which to insert the years of maturity, and say "Int." in the months in which the principal and interest mature respectively.

If all interest be made payable on the same two days in each.

year, and all principal on the same day in the respective years, columns numbered 15 will not be required at all; 13 will only require one column for year of maturity, and for 14 two columns substituted for amount of sterling and currency interest respectively.

Whenever any debentures are paid, other than as investment of sinking fund, the total amount paid should be deducted from the running grand total of debentures issued. The amount of yearly sinking fund in respect of such debentures paid, must also be deducted from the grand total of yearly sinking fund. The interest thus ceasing must also be deducted from the grand totals of interest payable. The totals of the debenture register will, thus, always shew the debenture debt and the annual sinking fund required.

It must always be remembered that debentures redeemed before maturity by investment of sinking funds, must never be thus written off until they mature, as pointed out under the heading of sinking fund.

Local debentures may either be recorded in a separate part of the same register, or in a separate volume.

JOURNAL.

With regard to the journal I can only say what every expert will at once endorse, that the entries should be no more than are unavoidable. As a rule, the introduction of the rates levied into the ledger, the correction of errors, and the closing of the accounts, embrace all the entries that should find a lodgment in this most essential but most abused medium of effecting ledger entries.

LEDGER.

The ledger of a municipality is, of course, no exception to the general rule. There should be no more accounts opened, than are necessary for purposes of management, the exhibiting of results, and convenient adjusting of the various transactions. A balance sheet taken from the ledger, should at all times show, in a concise form, the salient points regarding the working and financial position of the municipality.

As it is necessary that a ledger should show all assets and

liabilities, as well as receipts and expenditure; I have no hesitation in asserting, that, so soon as the collector's rolls are completed by the clerk, and before they are handed over to the collector, the treasurer should make a journal entry, charging the various tax accounts with the rates assessed; and crediting, say, "assessment account" with the total.

Whenever a minute is passed by the council authorizing the writing off of taxes known to be irrecoverably lost, the treasurer should make a journal entry charging "assessment account," and crediting the various tax accounts in detail.

Cash receipts should, of course, be credited to the various tax accounts as received. Cash payments to school trustees, county treasurers, and so forth, should be charged direct to them as if personal accounts. In the same way, the expenditure of moneys received on local assessments, must be charged to the work or expense for which the tax is raised. At the end of the year, school trustees, county treasurer, and local expenses, &c., are all credited with the respective amounts actually realized; sinking fund is credited with the necessary amount, and revenue with the balance available. The whole is charged to assessment account. The balance remaining at the credit of "assessments," will then exactly balance with the several amounts of uncollected taxes at the debit of the various tax accounts. These will also exactly agree with the arrears brought forward in the new rolls.

With regard to debentures I am in favour of one account in the ledger for general debentures, and one for local, with two corresponding sinking funds. The register should supply all the details that are necessary.

The amounts credited to sinking fund, and all interest earned thereon, must remain at the credit of the fund; and no debit whatever be made until debentures fall due and are paid. As each issue of debentures is paid, of course the cash payment of the whole issue, is charged to the debenture account. Immediately the payment is effected, an entry must be made charging sinking fund and crediting capital account with the portion of the sinking fund which has been accumulated in respect of such debentures, which should be the amount of the debentures.

The investments of the money at credit of sinking fund, must of course, be charged to the debtors under such investments. The interest may, and most properly should, in the first instance as received, be credited to the debtor's accounts to exhibit how they stand; but on closing the books each year be carried to credit of the sinking fund. When the principal of these investments is collected, it will of course be credited to the debtors respectively. When the sinking fund moneys are all invested in redemption of the debentures, the investments will be comprised in one account, say "sinking fund debentures," which will have to be treated precisely the same as though the municipality was the debtor.

There should be a separate ledger account for every permanent work. These should all be in the same part of the ledger. They should appear on the balance sheet, monthly as well as yearly, in the margin, extended in one sum. Assets of any kind, provided for and paid out of the current revenue, should be charged to, and remain at the debit of suitably designated accounts, intelligibly setting forth the nature of such assets. The amounts so paid, must be charged to revenue and credited to capital, at the end of the year. It is well, in the headings of the ledger account for works, to state "under by-law No. — debentures issued for \$— on such a date." When debentures issued at the same date under the same by-law, cover more than one work; it should be added, "of which \$— for this work."

Capital account should be charged, and the various works credited, at the close of each year, with the amount of depreciation in value, so as to reduce the amount at the debit of each work to the then actual value.

Repairs should be charged to each work respectively, ad-interim, but written off if the increased value does not warrant the addition, or so much thereof as is necessary to reduce the total amount at debit to the actual value.

Ward accounts should also be together in the same part of the ledger. They may be extended separately or together on the balance sheet. Each ward should be charged with the expenditure specially arranged to be incurred out of the general taxes. At the end of the year, each ward should be credited with its proper proportion of the surplus taxes including such expendi-

ture, closing revenue account; leaving the actual expenditure so incurred, at the debit of the ward benefited, and its share only of the surplus taxes at its credit.

In closing the books at the end of each year, interest should be charged, and accrued interest credited, with the amount of interest accrued on debentures but not due or not paid to date.

Immediately after the closing of the books, this entry should be reversed.

With regard to expenses: it is worse than useless to have an unlimited number of accounts opened, as is the practice almost universally. The council should carefully and deliberately consider in consultation with the officer who keeps the accounts, what expenses should be recorded separately for economic purposes. A system should be arranged by which the balance sheet will exhibit at a glance the totals sought to be known. A column ledger greatly facilitates the exhibiting of such detailed information as the council or ratepayers may desire. The fewer the accounts the better, and the less subdivision there is, the greater is the attention paid to the items. The ledger accounts should be only such as are absolutely necessary to shew a distinction between the expenses arising from varying circumstances. For instance, salaries, miscellaneous expenses, incidental expenses, donations and relief, all these are governed by a separate set of circumstances respectively, and the totals should be shown on the balance-sheet. For convenient analysis, however, salaries may be divided in the marginal columns of the ledger into departments: such as city offices, city engineer's department, assessment and licence commissioners, or any subdivision to suit the fancy. Expenses might be sub-divided into "Rent, fuel, and light," "Printing, advertising, and stationery," and so forth, the fewer the better. So with incidental expenses and donations.

STATEMENTS.

If the ledger be properly kept, the statements will partake of the same systematic character.

In exhibiting receipts and expenditure, the details, as far as are necessary to digest the transactions in a lucid manner, should be

noted in the margin, and the totals so extended as to show a brief condensed epitome of the whole. For instance, expenditure should be extended in totals, with a view to exhibiting at a glance the salient points, such as "Annual expenses," "Incidental expenses," "Repairs," "Improvements," "Public works," "Buildings," "Land," "Sinking Fund Investments," and so forth. Liabilities and assets should be dealt with in a similar way.

MINUTES.

Chapter 184, section 245 (page 1832), provides that the clerk must record minutes "without note or comment." This is no doubt to be understood as enforcing faithful record of proceedings of council. Technically speaking, however, it precludes a very important necessity, viz, that of classifying and thereafter indexing minutes, so as to be easily referred to. It should be added, "other than headings or marginal references as to the subject of the resolution and other minutes relating thereto," and it might very properly be added, that "all minutes shall be indexed under the designation of such headings or references."

The comptroller, or auditor, as the case may be, should have power to alter such headings or references, so as to express more clearly, if necessary, the nature and bearing of every minute, and to see that the corresponding alteration, if any, in each case, is duly made in the index.

GOVERNMENT SUPERVISION.

There is an old adage that "prevention is better than cure." I am of opinion that there should be Government supervision of municipal accounts carried on through a superintendent of ability and experience as an expert accountant.

Such an officer would be in a position to advise and assist the Government in framing proposed legislation concerning municipal matters as occasion required. He should be empowered, and it should be his duty, to prescribe the methods and forms to be adhered to in the keeping of municipal accounts and rendering of annual statements. All returns required to be made to the Government, and copies of all annual statements should be forwarded to him. Returns by the respective treasurers should, in my opinion,

be made on oath. The superintendent should have power to examine any municipal officer on oath touching any financial matter affecting any municipality.

In case of any alleged or suspected contravention of the statutes, misappropriation of funds, misconduct, or any other irregularity, not involving, *prima facie*, a felony; or if there be evident mismanagement, it should be the duty of the superintendent to promptly make a preliminary investigation. He should first ascertain whether any grounds exist for such suspicion or complaint. If so, he should proceed to consider the nature and extent of the evil, and the probable ramifications of the errors occasioned; and take such steps as he may think fit, for procuring a full disclosure and exhibit, not only of the primary defaults, errors or omissions discovered, if any, but also the nature and amount of all erroneous receipts or payments; charges, or credits which have resulted. He should then consider what party or parties are responsible or implicated, not only as regards the effecting of each transaction or entry involved, but also as regards quasi consent thereto, by any officer passing it over whose duty it was to have prevented or reported it; and also as regards incompetency on the part of any officer, ignorant of the facts, whose duty it was to have discovered them. Upon ascertaining all necessary details, it should be the duty of the superintendent to see that the errors are rectified, and to require that any officer found unfit for his position be removed therefrom. If it appears that any party has been guilty of a wilful breach of the law, the superintendent should see that the necessary steps are taken to have the case tried by a competent tribunal. If a *prima facie* case of felony arises, the same course should be pursued, except as regards the party or parties accused, whose arrest would not, of course, await even the preliminary investigation.

For convenient reference, I note here that chapter 184, section 477, would have to be repealed, and provision made for reference to a judge only as regards the persons of offenders. I would also note that sections 248 and 252, and chapter 186, sections 5 and 6, regarding returns, would need amending.

COMPTROLLERS FOR CITIES.

Cities, in my opinion, should each have a comptroller. The duties of such an officer are too well known to need any explanation. Before any payment is made his signature or initials should be compulsory. Thus every item becomes audited at the right moment. Every comptroller should be an expert accountant of known integrity. The superintendent, however, should have the right of investigating the affairs of any municipality at any time, without notice. The appointment of comptroller should rest with the Government, it being provided by Act of Parliament that only an expert accountant of ability, experience, and integrity and between certain ages is eligible. If any difficulty arises between the comptroller and the Mayor or Board of Aldermen, the superintendant should have the power, and be required to give definite instructions to the comptroller, upon application by him or the corporation, and such decision should be final.

AUDITORS.

For municipalities, other than cities, my opinion is, that the Government should appoint auditors, under suitable restrictions, provided by Act of Parliament, as to qualifications.

PATRONAGE

If it be urged that the patronage of the Government is liable to be exercised with political bias; I would reply that this is immaterial, provided that suitable qualifications are required by law. If this answer is unsatisfactory, I would point to the fact, that if the Government does not make the appointment, it devolves upon the very men who control the treasurer to do so. Of the two evils which is the least?

I note here, that, chapter 184, sections 258 to 268 inclusive (page 1837) would have to be re-written in amending the Act.

DUTIES OF AUDITORS

AS AT PRESENT PROVIDED BY LAW.

If no change is effected in the mode of appointing auditors, it remains to point out impractical provisions and contraposed enactments in the statutes as they now stand.

Chapter 184, section 258, (p. 1837) provides for the appointing of auditors at the first meeting of every council in January, subject to the provisions of sections 259 and 260.

Section 259, sub-section 1, requires that the auditors for the City of Toronto, be appointed in December.

Section 260, sub-section 1, allows the same course to be adopted by other cities.

Section 263, sub-section 1, provides that the auditors shall report on all matters for the year ending 31st December preceding their appointment.

Section 263, sub-section 2, provides that the auditors shall make their report within one month after their appointment.

Section 259, sub-section 2, requires that the auditors for the City of Toronto, shall discharge the duties imposed upon auditors by section 263, sub-section 2, within one month after the 31st of December in each year.

Construing section 263, sub-section 1, technically (no exception being mentioned), the auditors appointed by the City of Toronto in December would have to audit the accounts for the year ending 31st of the previous December. Setting this aside and taking the whole of section 263, and sub-section 2 of section 259 together, and bearing in mind the immediate connection between sub-sections 1 and 2 of section 263, the liberal construction would appear to be, that the accounts of the year just ending, or ended, were to be audited, and that auditors appointed in December were to complete their labours by 31st January, and those appointed in January within one month of the date of appointment. In the case of cities and large towns (not to speak of other municipalities where the same objection arises in a less degree) such a provision is too absurd to the mind of an experienced accountant to need any comment.

But, strange as it appears, in the face of the provisions cited, section 261 requires the auditors to examine and report upon the accounts "every month, commencing at the end of the first month in the year following the said month of December, and so on to the end of such year."

It is simply impossible to reconcile these provisions. It is clear, however, that the enactment of section 261 is sound, and the

other provisions should be so amended as to reconcile them with this clause.

In order that I may not be accused of keeping out of sight any provision that might be construed as bearing on the provisions I have quoted, I insert here sec. 260, sub-sec. 2, in full, which reads thus: "Notwithstanding this section or any such by-law the provisions of sec. 258 of this Act as to the appointment of auditors shall apply to the audit of the accounts of the year in which such by-law takes effect."

Section 258 is the substantive clause regarding appointing of auditors, and neither this clause nor section 260 mentions anything concerning the duties of the auditors. We are, therefore, thrown entirely upon the provisions of the by-law and the interpretation of the words, "takes effect," in order to apply this provision.

Enough has been said, however, to show that such amendments are necessary under existing circumstances as would effectually cause the annulling of this sub-section. Should any change be made as to the mode of appointing auditors such as I have advocated, all the provisions would have to be re-written.

CONCLUDING REMARKS.

Mr. Chairman and gentlemen, I have stated all that I am prepared to advance on the present occasion. I have endeavoured to take a comprehensive view of the subject. I have not spared time or pains, in endeavouring to bring before you interesting points connected with my theme, whether or not I have hit upon the desideratum in each particular. If my views can be improved upon, I shall be the first to rejoice at any advance made towards the solution of the questions dealt with. If I have omitted much that would be interesting, or that I ought to have commented upon; or if I have but barely touched upon matters that I ought to have digested, I think I may justly claim a free pardon, as the theme embraces, necessarily, such an extensive combination of relative subjects. If I have tripped and fallen into any absurdities, such as that of cutting two holes in the door to let the kitten in as well as the cat, I trust that I shall also be pardoned; as the crowding together of such multitudinous thoughts into a short

essay in a limited space of time, is apt to have the effect of causing the mind to overlook the most commonplace, self-evident truths amidst the grandeur of the thoughts which prompt the schemes.

With regard to my suggestions as to how municipal accounts should be kept, I would observe that all who have had extensive experience in dictating to others how accounts ought to be kept, will agree with me, that as a rule, the men whose time is fully occupied in recording the transactions of any municipality, company, or firm, are the least likely to discern what the best method is. The old saying, that the looker on sees the best of the game, is peculiarly applicable in this connection. It is true, that a thorough knowledge of the business to be recorded is necessary. Something more than this, however, is required. It needs that probing thought which only calm and deliberate reflection can accomplish, to perceive how work can be lessened and records systematized, and leisure to work out a complete system. Even Moses required the wise suggestions of his father-in-law to prevent him from working himself to death. With such an instance as this before us, let not any municipal officer judge it to be arrogant for an expert of diversified experience to point out how the labours of municipal officers may be made a pleasure rather than a drudgery.

In conclusion, I would say that while I am aware that a commission has been sitting in some way connected with municipal affairs, I have not read the report of this commission; and I am glad that it is so. If any of the views I have expressed agree with the findings or ideas of the commissioners, I know it not; and if anything that I have said conflict with their views, I am equally ignorant. Such as they are, the views I have expressed are entirely original. My attention was drawn to a paragraph in the report of the commissioners, and I have purposely, studiously avoided any allusion to the subject matter of that paragraph.

In commencing my paper, I was very careful to note the various provisions of the statutes bearing upon the matters discussed which, in my opinion, required amending.

I can safely say, in concluding, that, after a full perusal of the statutes relating to municipal affairs, I find that the enactments

require, not only amendment, but entire revision, re-classification, and condensation.

I trust that we all have the same object in view—the public good. May the best measures prevail, regardless of the source from whence they emanate.

WILLIAM POWIS, F. C. A.

Toronto, 13th December, 1888.

