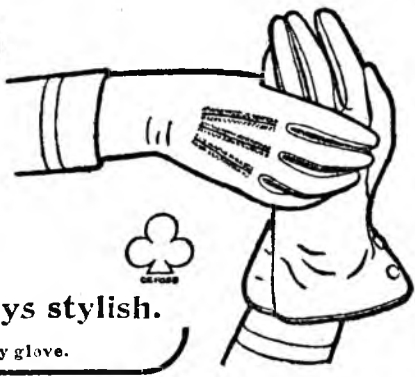


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AUDITOR'S STRONG CRITICISM

REPORT ON TORONTO HYDRO-ELECTRIC COMMISSION.

Civic Official Points Out Apparent Deficit—Mayor Makes Reply.

The city of Toronto auditor's report upon the finances of the Municipal Hydro-Electric Power Commission for the period from June 1, 1911, to June 30, 1912, was presented to the City Council Oct. 14. It says that at the close of 1911 an unadjusted balance of \$16,795.62 was carried forward. However, it declares that the making of a good inventory disclosed a shortage of \$113,477.40 between the amount standing in the books and the actual amount of stores on hand. The report declares that it was apparently decided to charge the whole of the working deficit on the books of 1911 to construction account. "Entries were consequently made," says the report, "charging the several construction accounts with a pro rata percentage of the total deficit as found amounting to \$117,803.35." This sum, it explains, is obtained after crediting the income earned during the period, and in addition to it there is an outstanding capital charge due the Provincial Hydro-Electric Power Commission amounting to \$248,245.80. The following figures show the position of the civic plant on Dec. 31, 1911—

Cash from city	\$2,400,993 11
Interest, etc., charged by city, carried to debit of capital expenditure	92,198 54
Deficit on operating and general expenses to date	117,803 25
Total charge to 31st Decem-ber, 1911	\$2,610,995 00
Outstanding liabilities:	
Unadjusted items of city account	16,795 62
Unadjusted stores shortage	113,477 40
Due Prov. Hydro-Electric Com-mission	248,245 81
	\$ 378,518 83

Finds a Deficit.

The City Auditor is of the opinion that a portion of the \$117,803 should have been carried forward as a charge against future earnings. He gives a general review of the figures for the six months ending June 30, 1912. He reaches the conclusion that there was a deficit of \$85,642.31 on the operations of the period. His statement of operat-

ing expenses and earnings is as follows:—

Wages, material, etc.	\$213,674 85
Current, etc.	76,522 61
Carried to credit of depreciation reserve	35,027 16
Accrued sinking fund (half year)	21,274 28
Interest on bonds and advances (one-half charged to revenue)	36,305 92
	\$382,804 82
Earnings	297,162 51

The auditor calls attention to the fact that for the half year preceding June 30, 1912, no amount had been provided to meet accrued sinking fund charges, but that an item of \$50,888 had been written into the balance sheet to cover the amount. Added to the deficit this made a total of \$136,530 to be carried forward against future earnings. In addition, \$36,305, the remainder of the interest account, would have to be added to capital account. The City Auditor thinks that such items should be charged directly to revenue. Treating them in this way, the present position, he says, would be:—

Total charge to 31st Dec., 1911, as above	\$2,610,995 00
Cash from city from 31st Dec., 1911, to 30th June, 1912	715,000 00
Int. credited by Com.	72,611 84
Total charge to 30th June, 1912	\$3,398,606 84
Summary.	
Deficit to 31st Dec., 1911, carried to capital expen.	117,803 35
Deficit to 30th June, 1912	85,642 31
Accrued sinking fund at 30th June, unprovided for	50,888 07
Proportion of int. charged to capital	36,305 92
Net shortage to 30th June, 1912	\$ 290,639 65
Outstanding liabilities:	
Unadjusted items in City Treasurer's account	16,795 62
Shortage, stores account	113,477 40
Prov. Hydro Com.	248,245 81
	\$ 378,518 83

Income Accounts.

A comparison of the principal income accounts for the six months ending December 31st, 1911, and 30th June, 1912, respectively, is as follows:—

	1911.	1912.
Com. lighting	\$ 57,104 78	\$ 63,562 75
Com. power	9,277 53	24,574 39
Mun. bldg. light	650 05	323 34
Mun. power	4,313 00	54,664 05
Mun. st. lighting	75,893 90	120,058 50
Meter rents	30 00	130 00
	\$147,254 06	\$268,313 03
Sundry credit items	3,542 56	28,849 48
	\$150,796 62	\$297,162 51

The City Auditor says that the system of bookkeeping in use by the commission is "cumbersome and smothered in detail." He thinks that the volume of business of the civic electric department is, and has been, over-stated. He believes that considerable saving could be made in expense accounts. He points out that by the close of the year sinking fund and interest charges will have to be met out of earnings. He asks why "renewal and depreciation funds" and "sinking funds" should be charged against the annual cost of the undertaking, and expresses the opinion that the system of purchasing electricity on the peak load plan might well be superseded.

Mayor Makes Reply.

Mayor Geary, speaking of the auditor's report, said that the book-keeping system of the civic commission had been built up under expert advice after years of experience, and that the department was not over-staffed, and that the system of purchase of current had been decided upon by the Hydro-Electric Power Commission of the province. The Mayor explained that the unadjusted balance of \$16,795 at the close of 1911 represented a difference between the revenue estimated by the City Council and the actual revenue, and, in the opinion of the commission, should not be charged to it at all. Of the item of \$113,477 described as shortage on the stores' account, the Mayor said that it was merely a question of bookkeeping. Certain invoices were charged to stores, while as a matter of fact the goods went directly to the job and were never credited when used. A great proportion of the amount had already been traced. The Mayor said that the sum of \$248,245 given as due the Hydro-Electric Power Commission of Ontario was not correct. The amount, which referred to the eastern entrance, represented claim plus interest to July 1, 1912, not the amount of the claim on Dec. 31, 1911. The so-called working deficit of \$117,803, he described as a technical deficiency which might properly be included in the capital cost of the undertaking. It was due, he believed, to the dis-

organization introduced into the operation service by the concurrent demands of construction operations.

Analyses the Deficit.

The Mayor says that the loss for the quarter ending March 31, 1912, was \$55,768, and the loss for the quarter ending June 30 was only \$29,873. Of the first quarter's loss, \$17,056 is interest on investment, \$17,065 is written off for depreciation of the new plant, and \$12,639 is put aside for sinking fund. The loss for the quarter ending June 30 includes also allowances for interest, depreciation and sinking fund.

Mr. Geary declared that the loss for the quarter ending September 30, the net loss was only \$4,647, and this, after allowing for interest \$20,999, depreciation \$19,443, and sinking fund \$15,000. As a matter of fact, he said the months of August and September had each shown a small profit got by civic enterprise. The gain, he asserted, was proceeding and the initial loss was being made good. Business, he said, had grown wonderfully. The city had 12,000 customers and a plant which could do many times the business with little additional cost, even for current. "We carry," he declared, "against future profits the charge for sinking fund prior to January, 1912, \$50,888, and our deficit for the first nine months of the first year, which is not an operating year, but rather a year of construction is \$90,290, included in which is \$51,470 depreciation and \$36,381 for sinking fund."

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"I could not sleep for nervousness, and when I would lie down at night I'd belch up coffee and my heart would trouble me. It was like poison to me. I was thin—only weighed 125 lbs., when I quit coffee and began to use Postum.

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"Sometimes, before I could answer quick enough, one of the children or my husband would say, 'Why, that is what Postum is doing for her'—they were all so proud and glad.

"When I recommended it to anyone I always tell them to follow directions in making Postum, as it is not good to taste if weak, but fine when it has the flavor and rich brown color." Name given by Canadian Postum Co., Windsor, Ont.

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NAVAL EXPENDITURE. Statistics Show Great Increase in Last Decade.

A report issued by the British Admiralty gives details of the total naval expenditure of Great Britain for each year since 1900, compared with the other chief maritime powers—France, Germany, Russia, Italy, Austria-Hungary, the United States and Japan.

From this it appears that the gross expenditure increased as under in pounds sterling:—

	1901-02	1912-13
Great Britain	34,872,299	45,616,140
United States	16,012,438	26,540,010
Germany	9,530,000	22,609,000

The figures for France, Russia, Italy, Austria-Hungary and Japan do not admit of exact comparison, but in each case large and continuous increases are shown.

As regards new construction, including armaments, Great Britain

will spend this year £17,271,527, compared with £10,420,255 in 1901-02, and Germany £11,491,127, as against £4,653,423 in 1901-02.

Accidents on railways in the United States during the first three months of 1912 were responsible for the deaths of 2,383 persons.



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