

MUNICIPAL DEPARTMENT

MUNICIPAL BALANCE SHEETS

The general agitation now in progress looking to improved systems of municipal accounting will undoubtedly result ultimately in benefit to the taxpayer, who occupies the abnormal position of debtor and employer and has, therefore, a double interest in securing an honest administration of municipal affairs.

Loose accounting records, says the Book-Keeper, are almost invariably synchronous with an equally loose handling of the ratepayers' money. An assessment register which is never balanced with anything is a positive incentive to the making of secret rebates and arrangements which, while they redound to the financial benefit of political employees, are nothing but common, ordinary embezzlements.

In another column we publish a description of a system of accounting adopted and used with satisfactory results by a small city. The accounts of this city are concentrated in a balance sheet, the surplus of assets over liabilities being dominated "capital." In other cities the same idea is carried out changing the title of the surplus to "net investment of the city of—," Macpherson, in his text book on "municipal accounting"

employs a balance sheet and uses the term "capital."

It is, however, held by some authorities that no municipal statement correctly performs the function of a commercial balance sheet, that the assets of a city are "indeterminable," that a city has no obligation equivalent to the capital stock of a business corporation, and that the difference between the alleged assets and liabilities shown on a proforma balance sheet is "of no significance."

This is a purely accounting question, but an interesting one. If a city can make no profits (we do not refer to cities which undertake the management of industries) what object is gained by calling the excess of debit balances over credit balances—"capital" or "net investment," the latter being the term employed to designate the accumulated profits of a single proprietor or a partnership.

The question of what can justly be termed the "assets" of a city may also be discussed with advantage. The authorities of a city decide to make sewer connections with a certain road. They debit cost of connections to sewer system account (Here is asset No. 1.) They assess the property owners on the road to pay for the improvement. (Here is asset No. 2.) But do not these connections now belong to the property owners who have paid for them and expect to receive the benefit from them hereafter? And why should they be included in the city's balance sheet as assets, as the city will have nothing further to do with them except to make necessary repairs and charge ratepayers with cost of same?

Macpherson in his "specification for a

municipal balance sheet" includes "sewers" as a "passive asset" in a group made up of "bridges, pavements, bonus account, local improvements," thus indicating his opinion that no determinate value can be placed upon them and that their presence in the "balance sheet" is more ornamental than otherwise.

We hope in our February number to publish an illuminating article on this subject from the pen of an authority connected with the city of New York department of finance.

A COMMON RESULT IN ESTIMATING.

Building has become so highly developed and specialized that the cost of omitting work has become an important item in making estimates. Not long since a factory obtained a contract for furnishing the outer and inner wood finish of a chapel, says a writer in a recent issue of the Western Builder. Specifications for the outer work required that it be without "surfacing" or planing—as the saw left it. The office man who "billed" the work to the factory took pains to mark all over the lists and drawings that the stuff was to be planed on the back side only—this to bring it to a proper thickness—and that all exposed surfaces were to be left as sawn. In due time, chancing to be in the warehouse, he saw stacked up ready for shipment all this outer finish fully dressed and planed and of course it all had had to be thrown away. It is safe to say that the next time the managers of the factory estimate on work in which the surfacing is to be omitted they will add something to cover the chance of having to do the work over again.

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