

## UNIFORM MUNICIPAL ACCOUNTING

By ANDREW E. FRITZ.

Under the title of "Uniform Municipal Accounting" Mr. Andrew E. Fritz, the State Public Examiner of the State of Minnesota contributes a very instructive paper to our contemporary the "Minnesota Municipalities," as the following extracts show.

A deterrent factor to the development of municipal accounting is the fact that the accountant has not come into his own. This is nearly as true in the industrial world as it is in the municipal world. Accounting is a profession as much as law, medicine or engineering and some day will be so recognized. It requires more study and preparation than the average accountant has been willing to give it or than the employer has been willing to allow for it. But an accountant of any enterprise should have a broader conception of the component parts of that enterprise than anyone else connected with it. The reason for this will be explained later. The people generally do not attach the proper value to good accounting. They think that if a man writes a good hand he must be a good accountant, while, in reality, the man may be incapable of ever becoming an accountant. These conditions have not been corrected by any means, but gatherings of this sort and serious work by those in charge will continue to better results until the good of efficient accounting will be realized.

Efficient work in that line of any one city does not serve the best purpose, however, as there is no chance for comparisons. Besides having efficient and complete records and reports, they must be uniform between various classes of institutions to afford the most valued results.

I have been assigned the subject of "The desirability of uniform accounting and reporting in municipalities." First let us consider as to what is meant by uniform accounting. Probably what was meant was that the various activities of the city had installed systems uniform to one another. So often we hear someone speaking of uniform system of accounting when, in reality, they mean a thorough or broader system of accounting. Terminology in accounting is as backward as has been the accounting itself. What I understand by uniform municipal accounting is a system of accounting in vogue in the various cities or subdivisions uniform in the various classes of a certain territory.

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The advantage or desirability of uniform accounting and reporting in municipalities, I believe, can best be shown by an example. Take a homely illustration of a man and a cow. His cow will give a certain quantity of milk a day. If he doesn't know anything about other cows he won't know whether he has a good cow or a poor cow. If his cow furnishes five quarts of milk a day and, upon inquiry, he learns that other cows give from seven to ten quarts daily then he knows that as to quantity, at least, he has an inferior cow. But to-day cows are not measured by the quantity of milk they furnish but by the butter fat they produce. So he must reduce his milk to butter fat value and then ascertain the average butter fat produced by cows to know whether he has an average cow. Then he finds, upon investigation, that his cow produces the average amount of butter fat he knows about the returns he gets from his cow. But that doesn't tell the story. The cost of the consumption by the cow must be worked out and he can't know whether he has a hard or easy feeder until he makes comparisons with the cost of feeding other cows and in doing this he must take into consideration the conditions of procuring the feed as compared to the conditions surrounding that element with the other cows. When he has ascertained

that he has a good average cow he is confronted with the problem as to whether the returns he gets from his cow warrant the outlay. While the cow is giving milk he must, after taking into consideration by-products, provide a surplus with which to feed the cow during the period when she will be dry. He must ascertain the life of his cow and her value when she must be disposed of and provide a surplus to replace her. He establishes his business right to keep the cow entirely by comparison and in the absence of such information would be working in the dark. That is what uniform accounting and reporting offers to municipalities. An opportunity for comparisons.

For a city to say that it has paved fifteen street crossings during a season means no more in accounting than to say that a cow gave five quarts of milk. To say that one city paved fifteen street crossings while another city paved only ten is mere prattle. But to say that a city paved fifteen street crossings containing so many square yards of a certain kind of paving at a cost of so much per square yard, carrying out the total, tells the story. The square yard of a certain kind of paving is your butter fat produced by the cow while the cost represents the consumption by the cow. No matter what amount of paving another city reports, having reduced the work to a uniform unit and the cost thereof, the only thing left to consider is the element of procuring material for the work to enable a city official or tax payer to determine as to whether or not the paving is produced at the average cost. Those in power must be satisfied that the returns warrant the outlay, just as the owner of the cow determines that to justify his business right to maintain the cow. Just as the reserve must be set up to feed the cow during the period of non-production, so the maintenance of the pavement must be provided for the period when money is not pouring in in taxes.

Now taking into consideration the increments, the man with the cow must establish a reserve to pay for his cow during her life of production. So the city must establish a sinking fund which, with its increments, will retire the bonds for the improvements during the life of such improvement.

The last two phases mentioned are dependent on good and efficient accounting and not on uniform accounting, but the only manner in which to accomplish good and efficient accounting in municipalities, because of the very uncertainties of municipal control suggested in the beginning, is to have a uniform system prescribed by some authority.

Other functions of municipal government can be compared to the instance of the cow just as well as street crossing pavements. In some it may not be as easy to measure the product owing to the peculiar service. Taking the schools as an instance. The problem would be as to what would constitute the unit measure. It would not do to take the number of teachers employed. Their employment is only incident to the conduct of the school system. The enrollment could not be regarded as the measure because it fluctuates, nor would the number of graduates be the measure for the reason that the school accomplishes education to many who do not graduate. Probably the best measure would be the student hour. That would be a matter, however, to be worked out and applied to the uniform system. Whatever the unit may be, it must be an absolute, true measure of the product with its cost. With the unit established the accounting could be so arranged as to reflect the cost and production, and thus uniform reporting would be made possible. Comparisons between different years of the same municipality and comparisons between the various functions of different muni-