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AN ANALYSIS OF ACCOUNTING PRACTICE IN A MONTANA MUNICIPALITY
BASED ON STANDARDS RECOMMENDED BY THE MUNICIPAL FINANCE
OFFICERS ASSOCIATION

by

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B. A. in Business Administration
Montana State University
Missoula, Montana
1946

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of the requirement for the degree
of Master of Arts

Montana State University

1948

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FOREWORD

In 1932 the State Examiner's Office of the State of Montana issued a pamphlet setting forth a uniform system of accounts for Montana cities. All Montana cities are required by law to adhere to the minimum accounting requirements outlined by the State Examiner's Office. The introductory statement prefacing the main body of the pamphlet presents the case for a uniform system of accounts in such an able manner that presentation of the complete text seems desirable. The foreword to the pamphlet, "Uniform System of Accounts for the City Clerk's Office as Prescribed by the State Examiner-Montana", follows:¹

"At the present time it is agreed by all successful and progressive business men, whether they be operating in private business or in any one of the various branches of our municipal government, which is nothing more nor less than a business in itself, that a complete accounting system is one of the most vital factors in the proper handling of such business. It is no longer sufficient for the accounts to show merely the amount of revenue collected and the amount disbursed as such meager accounts are of very little value to the administering officials. The accounts must show a complete detailed account of all the various resources and liabilities of the business, together with sufficient operation and reserve accounts to show the entire activities of the business. Further than this, such accounts must be in such form and detail that a proper comparison may be made at any time of the operation of one office with another for any period of time, or for the comparison of any officer or department as against that of the same officer or department or the comparison of the entire business for one period of time as against any other period of time.

1--Antedated State Laws of Montana, 1936, Book 2, Sec. 5083, Effective, July 1, 1932

The system of accounts should provide internal checks and safeguards wherever possible. The main thing, however, is that such accounting system must reflect the efficiency or inefficiency of the entire business and also of every separate department in order that the administrative branch of the business may be in a position to prevent waste and loss and may be able to handle the business in a sound and successful manner. The handling of the various phases of our government is not a matter of mere politics as so many may think, but is purely a matter of business just the same as any private business. However, on account of the constant change of persons in charge of municipal affairs, it is advisable to provide an accounting system that is as simple as possible without sacrificing any of the principles of accounting."²

The purpose of this paper is to determine how satisfactorily the present uniform system of accounts, as operated by the City of Missoula, carries out the aims expressed in the above quotation. A practical approach to study of this uniform system requires observance of the system in its actual application, its effect on employees elected or appointed to keep municipal accounts, and the results attained in the form of statements and reports to the public. This approach was made during the summer of 1947-several months after the administrative and appointive officers of the City of Missoula changed as a result of the spring elections. The mayor of the City of Missoula, Mrs. Juliet M. Gregory, granted permission to study the accounts of the city and was most helpful with suggestions. Mrs. Marjory Margetts, City Clerk, her assistant, Miss Helen Zeh, and Mr. H. E. Powell, City Treasurer, were also helpful with instruction, suggestions, and comment.

²--"Uniform System of Accounts for the City Clerk's Office as Prescribed by the State Examiner-Montana", page 4.

The writer is especially indebted to Dr. Donald J. Emblen, Professor of Business Administration, for carefully reading and criticizing the material as the work progressed, and to Dr. Theodore H. Smith, Dean of the School of Business Administration, for supplying encouragement and assistance whenever needed.

CHAPTER I

Modern Municipal Accounts

The City of Missoula, in over twenty years of progress and growth, has had no major changes in its accounting system. The need for revisions has been recognized by the current administration headed by Mayor Juliet M. Gregory, who has given her hearty support to this research. This study will endeavour to bring out the omissions and deviations from standard practice, as prescribed by the National Committee on Municipal Accounting, which hinder or make impossible those comparisons so essential to efficient government.³ An administration that must rely entirely on the experience of past administrations because standards for comparison are lacking is handicapped. Comparison with cities of comparable size in this state and in other states is one of the chief advantages of uniformity. One writer in the field of municipal accounts has stated that, "A government unit was not organized to earn a profit, but rather to render a service, the cost of which is passed on to the public served. How are you going to determine whether this cost is low or excessive? Only by comparison with other municipalities performing functions under similar or nearly similar conditions."⁴

3--The National Committee on Municipal Accounting is sponsored by The Municipal Finance Officers Association. Standards laid down by this committee will be used throughout this paper as a basis for judgment.

4--Joseph M. Lowery, "Municipal Funds and Their Balance Sheets," Municipal Finance, August, 1931, pp. 8-11, Vol. 8.

The fact that Montana does have a uniform system of accounts makes comparison between Montana cities feasible.⁵ This uniformity in accounting systems is, however, confined to Montana. Comparison with cities of other states is impractical because of variations in the statements and records produced, i.e., comparison with a city that follows accepted standards would be difficult because the statements produced are entirely different from those produced in Montana cities.

The uniform system of accounts for Montana for Montana cities was promulgated in 1932. In 1934 the Municipal Finance Officers Association sponsored a National Committee on Municipal Accounting. Present-day municipal accounting standards are attributable in part to the work of this committee and any study of a municipal accounting system must take into account the recommendations of the committee. Thus, it appears evident at the outset that, in certain respects, the Montana system may fail to conform to the standards set by the committee because the system was set up prior to the publication of the committee's findings. "One of the major objectives of every modern city, regardless of its size, should be the securing of accurate information for the intelligent handling of its important financial affairs with promptness and efficiency. In order to accomplish this, it is essential that the city provide itself with the

most modern system of municipal accounting that recent research and practice has developed."⁶

Different authorities stress different aspects of the importance of modern municipal accounts. However, most authorities will place the following among the aims and objectives to be realized from a good, up-to-date system:

- (1) Adequate financial reporting.
- (2) Prevention of fraud and corruption.
- (3) Increased efficiency in financial administration.

To quote one writer, "The whole problem of organizing an accounting and reporting system for a government should be approached from the reporting standpoint."⁷ Another approach is obtained from an investigation of county governments by a grand jury committee: "We found that county frauds and rackets developed thru three important steps:

- (1) Lack of a proper accounting system and procedures.
- (2) Indifference.
- (3) Fraud and corruption"⁸.

Finally, stressing the third point among the aims and objectives outlined above, we have the point of view presented that, honesty and faithfulness are more likely to be insured

6--James Q. Adams, "Accounting and Financial Problems of a Small City," Municipal Finance, May, 1935, pp. 9-10, Vol. 7.

7--Henry P. Seidemann, "Reducing Federal Expenditures", Annals of the American Academy of Political & Social Science, Jan. 1933, pp. 131-7, Vol. 168.

8--Arthur Baldwin, "Some Aspects of Governmental Investigation," Municipal Finance, November, 1941, pp. 17-19, Vol. 14.

by the establishment of a proper accounting system, nevertheless, increased efficiency is the chief aim."⁹

Several complications arise when the subject of installing a new system is considered. They are as follows:

- (1) Will the new system meet all the requirements imposed by law?
- (2) Does the new system meet the test of constantly changing personnel (every two years or oftener)?
- (3) Does the size of the municipality warrant a system as complete as that contemplated by those doing the revising?

The first complication may be resolved in one of two ways: (1) by changing the entire state system, i.e., the uniform system of accounts as prescribed by the state examiner, or (2) by molding the new system within the limits of the uniform system. The second alternative, although it represents a compromise, is obviously the more feasible. If the compromise was good and if several Montana cities adopted the changes, the stage then would be set for revision of the entire state system. Such a revision would be the ultimate objective--an objective that would have to be realized before complete modernization would be possible. Until such revision is effected, only compromise improvements can be made.

9--Harold E. Crawford, "Accounting in Maine Municipalities," Municipal Finance, November, 1940, pp. 13-14, Vol. 13.

The fact that governmental personnel is subject to frequent change presents very real problems.¹⁰ However, the question arises, "Does the present uniform system now used throughout the state meet the test of simplicity as fully as it might?" Some doubt exists that it does. It would therefore seem that a modern system incorporating the simplicity required is entirely feasible.

One of the drawbacks of the present system is the absence of a good manual for the instruction of new personnel. This study has attempted to reveal the need for such a manual--whether the system is revised or not. At present, when an administration changes and new accounting personnel¹¹ take over the task of keeping the books, the method of "breaking-in" is simply one of looking through the books to see how each different situation or transaction has been handled by preceding clerks. Entries are then made in accordance with the previous method of handling such transactions. This may or may not be a good way to learn the accounts, depending on the ability of former clerks. It would seem that such a method would be subject to a perpetuation of errors. One might conclude that any accounting system, public or private, should be augmented by a manual of

10--Changes in the city clerks' office are usually made whenever a new mayor is elected. The appointment of a new clerk may be a matter of good judgment, friendship, or politics. A good likelihood exists, in any case, that the new appointee will be unfamiliar with municipal accounts. The object, therefore, is to make the system of accounts simple enough that a novice can master its technique in a short time and with little assistance.

11--A city clerk and assistant comprise Missoula's municipal accounting force.

instructions. One writer expressed this need as follows, "Many public officials, both elective and appointive, after assuming their duties are impressed with the complex procedure of a municipal government. Those who have been employed by a municipality for many years often possess a great amount of valuable information. In most cases no method has been developed to take advantage of this knowledge. When they leave the organization their special training goes with them, and it takes someone else years to accumulate such knowledge."¹²

In Missoula, City Treasurer H. K. Powell, who has been with the city in various capacities for many years, possesses a great amount of valuable knowledge and is thoroughly familiar with every aspect of the city's accounting system. He provides the help needed by new accounting personnel that should be provided by a manual. When this gentleman retires, and is not available to answer the questions that inevitably appear when personnel changes, a manual will be a prime necessity.

When attempting to answer the question of how complicated municipal accounting systems should be, one must take into consideration the volume of "business" that a city the size of Missoula transacts in one year. According to the

12--Will E. Gibson, "The Development and Use of Manuals," Municipal Finance, November, 1943, pp. 2-5, Vol. 16.

annual report of the City of Missoula for the fiscal year ended June 30, 1947, receipts totaled \$357,790.74 and disbursements totalled \$370,088.30.¹³ By almost any standards this amounts to a fair volume of business. The records to handle amounts as large as these should be comprehensive.

The major portion of this study will be directed toward examination of those aspects of accounting technique that might be incorporated in the present accounting system of the City of Missoula without disturbing the uniformity required by state law. To accomplish major changes in the uniform system itself, it is suggested that the National Committee on Municipal Accounting be consulted as to procedure. Action might then be taken by the state in accordance with the recommendations of the committee.

13--The City Clerk's Annual Financial Statement to the State Examiner for the Fiscal Year ending June 30, 1947 for the City of Missoula, County of Missoula, State of Montana. pp. 4-9.

CHAPTER II

Fund Accounting

"Every governmental body must raise and spend its revenues in accordance with special regulations, restrictions, or limitations as imposed by law and ordinance."¹⁴ To insure the proper treatment of all money collected, special funds are established in accordance with the requirements of constitutions, statutes, or other proper legislative action. A fund has been defined as, "a sum of money or other resources set aside for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations and constituting an independent fiscal and accounting entity."¹⁵ By definition, therefore, a separate group of accounts should be provided for each fund to show its assets, liabilities, reserves, and surplus as well as its revenues and expenditures. Since each fund should constitute "an independent fiscal and accounting entity" it follows that each fund should be presented in financial and statistical reports as independent and unrelated to other funds. A valid purpose is behind this type of presentation because only if each fund is presented separately can the average report reader determine the status of a particular fund, i.e., whether a surplus or deficit exists.

14--Chatters and Tenner, Municipal and Governmental Accounting, New York, Prentice-Hall, p. 3.

15--National Committee on Municipal Accounting--"Municipal Accounting Statements" The Committee. Chicago: 1941 p. 168.

The State Examiner for the State of Montana requires monthly and annual reports or statements from all city clerks. A uniform type of form is used on which the clerk merely enters the amounts indicated by the various headings. Prepared forms are used primarily for the degree of simplicity attained. This is very important in Montana (and in most other states) because of the rapidity with which accounting personnel can and does change. The prepared form insures that uniform reporting will be accomplished when reports are prepared by untrained personnel. The prepared form used in Montana bears a strong resemblance to a classified trial balance, i.e., a trial balance segregated by types of accounts. No attempt is made to separate funds in accordance with the above definition, and the condition of a particular fund is not easily determined because the surplus for all funds including fixed assets, and bonded indebtedness, is carried in an account titled, "Revenue Accumulation Surplus." The reader of financial statements who is interested in a complete picture of a particular fund, for example, the general fund, must first single out all the accounts of the general fund from the entire group of balance sheet accounts.

The lack of clearness resulting from the grouping of all funds together may be remedied in several ways:

- (1) Retain the present report form but divide the "Revenue

REVENUE ACCUMULATION SURPLUS

Accumulation Surplus" account into various surplus accounts (one account for each fund) and, in addition, a credit account to offset the city's investment in fixed assets and a debit account to indicate the funds that must be provided for retirement of the city's general bonded indebtedness¹⁶.

(2) Adopt an entirely new form of report which will conform with the recommendations of the National Committee on Municipal Accounting. Both of these methods of reporting are illustrated in Chapter 5.¹⁷

It is significant to note that with very little change the reports can be made more meaningful. No drastic revisions are necessary. A simple journal entry would suffice to set up accounts according to the first remedy suggested above--that of dividing the revenue accumulation surplus account into various accounts. An illustrative journal entry such as would be necessary to make the revision follows:

Revenue Accumulation Surplus	\$2,292,751.42	
Amount to be Provided for		
Retirement of Bonds	34,000.00	
Investment in Fixed Assets		\$2,155,987.50
Surplus-General Fund		32,277.88
Surplus-Road Fund		6,435.12
Surplus-Interest and Sinking		
Fund		8,515.64
Surplus-Cemetery Fund		2,562.42
Surplus-Library Fund		7,235.48
Surplus-Park Fund		5,365.77
Surplus-Band Fund		133.40
Surplus-Police Retirement Fund		5,695.45
Surplus-Revolving Fund		4,173.41
Surplus-Trust and Agency Funds		120,459.07

16--The debit and credit accounts mentioned are merely offsetting or balancing accounts required by the use of double entry bookkeeping.

17--See page 59 below.

General Fixed assets have no place among the current assets of the general fund accounts¹⁸, i.e., they should not appear in the general fund balance sheet, and neither should the general bonded debt appear among general fund liabilities. This is true because the general bonded debt does not affect the current position of any fund (except as appropriations are made to retire bonds--in which case the amount to be retired should be shown as a current liability).

The City of Missoula has fund accounts for twelve different funds:

General Fund
Road Fund
Interest and Sinking Fund
Cemetery Fund
City Library Fund
Park Fund
Bond Fund
Police Retirement Fund
Revolving Fund
Proceeds of Bond Fund
Trust and Agency Fund
Plumbers Board Fund

All of these funds are active with the exception of the Plumbers Board Fund which has a balance of \$1,50.¹⁹ The number of funds employed is adequate and the titles used conform with recommended classifications.

In general it may be said that the majority of

18--See page 16 for a detailed treatment of fixed assets in the city accounts.

19--Action should be taken to dispose of this balance if for no other purpose than to relieve the clerk of the posting required every month to the trial balance and the monthly report.

report readers--administrators, investors, legislators, taxpayers, etc. are interested primarily in the general fund because in Missoula this fund accounts for the major portion of the municipal transactions completed and for over fifty per cent of revenue collected (17 mills out of a total 27.5 mills). The financial condition of the city is reflected in this fund more than in some of the other funds. Other funds are generally established to account for specific functions whereas the general fund serves many functions. All receipts and all expenditures not earmarked by law for a special fund are handled by the general fund. These will include payments to city officials, police, firemen, and so forth.

To summarize, it would seem desirable to present reports incorporating a balance sheet for each fund augmented, perhaps, by a combined balance sheet for all funds. Since this involves a major change in the Uniform System of Accounts, a more practical approach might be the one suggested of reducing the present surplus account to a surplus account for each fund and presenting the new surplus accounts in the present report form. Either method will attain the objective of presenting more informative reports.

CHAPTER III

Accounting for Municipal Fixed Assets

Fixed assets represent a considerable investment in almost all municipalities.²⁰ The extent of the investment in fixed assets will vary between municipalities of the same size because of differences in functions performed. For example, one city may provide its citizens with police and fire protection, street cleaning, garbage collection, street lighting, sewage disposal, central heating, electricity, gas, and water. In another city only the most essential services such as police and fire protection may be provided. In either case, however, some investment in fixed assets is inevitable. In addition to the type of equipment required for the performance of the services mentioned above, a city will probably own land acquired through tax delinquencies. It will probably have a large investment in streets, sewers, parks, sidewalks, curbs, and other municipal real estate.²¹

The primary concern of the municipality is not with the present or appraisal value of its fixed assets, but with the city's investment in those assets. Unlike private

20--Fixed Assets are assets of a permanent nature used in the operation of the business and not intended for sale. H. A. Finney, Intermediate Accounting, Prentice-Hall, N. Y. Page 293.

21--Funds spent in the construction of streets, sidewalks, and other types of facilities of this nature are usually raised by assessment of those directly benefited. The asset which results is set up on the books of the city as city property. The records should indicate the origin of the asset, i.e., the source of funds for its acquisition.

enterprise, the assets of a government may not be pledged for the purpose of raising money.²² Except as certain unit costs of operation are required on equipment, the city accountant need not concern himself with depreciation or appraisal values on municipal fixed assets.²³ Once the cost of a particular fixed asset is established and recorded it will (or should) remain on the books at that figure until the asset is retired or sold or otherwise written off. Accounting for municipal fixed assets in the manner outlined above tends to simplify the accounting records and, as was pointed out earlier, simplification is one of the requirements of a system for Montana cities. The National Committee on Municipal Accounting has set forth the reasons for omitting depreciation from the accounts of municipalities as follows:

- (1) "It is not essential to show the depreciated or replacement values of municipal properties in the accounts or balance sheet of a municipality, since property values cannot be used as a basis for credit."
- (2) "Since the municipality as a whole is concerned with operating profit or loss only in the case of utilities and other self-supporting enterprises, depreciation need not be accounted for in the general records."
- (3) "If depreciation is accounted for, the depreciation reserve has no importance unless a cash fund of an equal amount is set aside to replace worn-out properties. This is usually impractical, where not illegal."

22--See quotation from "Municipal Accounting Statements", on page 18 below for an authoritative opinion on this,

23--See page 18 below for quotation from "Municipal Accounting Statements" dealing with this matter.

(4) "Unless cash can be set aside out of current revenues, depreciation charges cannot be included in the budget. If cash is therefore not set aside (and depreciation thus not included in the budget), but depreciation is included in the financial statements of the annual report, the budget and the annual report will not agree."²⁴

A few comments may clarify the above statements. It is usually "impractical, where not illegal" to set aside cash or to enter a subsequent period with a substantial surplus because most state laws expressly prohibit taxing where a surplus exists sufficient to carry on the normal activity of the budget period without such taxation. Municipal budgets are estimates of the cash requirements for a definite period of time whereas depreciation reserves ordinarily do not involve cash provisions. Some municipalities are required to tax on the basis of a budget which means that a depreciation reserve must be complemented by a cash fund of like amount if depreciation is to be included in the budget. Such funds may be prohibited by law.

According to the treatment recommended by the national committee, as quoted above,²⁵ all fixed assets will be entered on the books at cost (if purchased or constructed) or at appraisal value (if donated) and will remain on the books at the original figure until retirement. Only in the case of major repairs or improvements will any particular asset account be affected by the passage of time.

²⁴--National Committee on Municipal Accounting, "Municipal Accounting Statements," Chicago: The Committee, 1941, P.148.

Examination of the accounts of the City of Missoula reveals that on at least two occasions (1926 and 1941) the fixed assets of the city have been appraised and written down on the books. Although this may be a convenient way of accounting for the disappearance and retirement of city property, it cannot be recommended from the standpoint of sound accounting practice. The National Committee specifically recommends against such practice in the case of depreciation.²⁶ Appraising fixed assets in the manner outlined is similar to a periodic inventory. The assets are inventoried to establish the fact that they have not disappeared. A value is then assigned to each asset. The values assigned will, of course, depend on the appraisers. In any event such values are merely estimates. Unless inventories of fixed assets are compared from year to year (the different appraisal values used may make comparison difficult) the accounting officer will not know whether specific assets are in existence or whether they have disappeared--except as he is familiar with every asset owned by the city and can detect its absence from the inventory. Changing personnel and increasing fixed assets preclude the possibility of such familiarity in many cities.

In a paper on the subject of "Property Accounts for Municipalities" the statement is made that, "Any accounting system that does not at least present a complete and accurate

26--Ibid.

historical record, fails in a requirement which may be considered fundamental.²⁷

Furthermore, "Another very important reason for carrying fixed assets in the records is that of proper control. It is evident that no control can be exercised over fixed assets if adequate accounts are not kept."²⁸

The incorporation of complete fixed assets records in the accounts of the City of Missoula should result in a simplification of reporting technique.²⁹ As the accounts now stand, an individual general ledger account is kept for each fixed asset. This means that the city clerk must carry in the monthly trial balance, in each of twelve monthly reports, and in the annual report the account name and appraisal value figure for each individual asset owned by the city. For example, the following accounts and amounts appear in all reports:

Land Acquired by Tax Deed	\$ 4,362.96
City Hall Land	6,000.00
City Hall Building	6,500.00
Fire Station Land	6,000.00
Fire Station Building	3,836.33
City Library Land	5,000.00
City Library Building	26,749.00
City Parks Land	98,780.00
City Parks Buildings	13,747.40
Activian Swimming Pool and Bathhouse	123,000.00

27--Robert F. Hackett, "Property Accounts for Municipalities" Accounting Review, March 1937, pp. 64-68, Vol. 12.

28--Ibid.

29--By reporting technique is meant the entire process of preparing financial statements. The finished product or statement would be considered a part of the process and would be, itself, much simplified.

City Cemetery Land	\$ 10,225.00
City Cemetery Building	19,928.27
City Garbage Dump	1,000.00
City Hall Furniture and Fixtures	4,023.48
Fire Station Furniture and Fixtures	454.85
City Library Furniture and Fixtures	15,292.49
County Library Furniture and Fixtures	2,285.82
City Streets	559,340.00
City Sewers	842,528.45
City Scales	550.00
City Bridges	19,300.00
Sidewalks	117,531.03
East Front Street Retaining Wall	12,800.00
Curbs and Parkings	7,657.05
City Library Books	58.61
County Library Books	24,661.83
Fire Department Machinery & Equipment	50,242.09
Street Department Mach. & Equip.	16,763.75
City Parks Mach. & Equip.	5,703.82
Maintenance District Mach. & Equip.	3,334.45 *
City Cemetery Mach. & Equip.	11,341.68
City Traffic Mach. & Equip.	5,861.62
Police Auto Equipment	4,708.68
Police Radio Equipment	2,490.48
City Street Lighting (Special District)	9,085.00 *
Activian Pool & Lath House Equip.	1,528.47
Improvement District No. 75, Truck Acct	2,373.64 *
Total Fixed Assets	<u>\$2,155,987.50</u>

A simpler treatment, and one less subject to clerical error³⁰ in the preparation of reports and statements, would be to divide the above accounts into three general classifications: (1) land, (2) structures and improvements, (3) equipment. These three accounts could be carried in the general ledger as controlling accounts. The detail for each controlling account would be found in

30--Even experienced bookkeepers occasionally make errors in copying figures. Therefore, any reduction in the number of figures copied should result in greater accuracy with less expense of time.

*--Special improvement district fixed assets. Total \$14,793.09

a subsidiary ledger composed of record cards grouped according to the classifications mentioned above. Each fixed asset, e.g. the fire station, city hall, police car, etc., would be recorded on a card in the subsidiary ledger. If controlling accounts are used as suggested, a schedule of fixed assets should accompany the report or statement. A breakdown of the foregoing accounts into the classifications suggested would produce the following accounts for use in the financial statements to replace the detailed accounts now used.³¹

Land	131,367.06
Structures and Improvements	1,833,712.53
Equipment	<u>185,907.01</u>
Total Fixed Assets	<u>\$2,155,987.50</u>

All except the smallest business enterprises require some system of keeping, in convenient and accessible form, detailed records of all fixed assets. These records are necessary for statistical, report, retirement, budget, accounting, inventory, depreciation³² and tax purposes. Such records have not been kept of assets acquired by the City of Missoula. Anyone desiring information about any particular asset must search through the books or secure the original transfer papers and other documents relating to the acquisition of the asset in question. It would seem self-evident

31--See Schedule of Fixed Assets on page 20 for detail.

32--Depreciation is not a factor in municipal accounting except in the case of municipally owned utilities.

that those responsible for accounting entries should have quick and easy access to information enabling them to make proper entries when assets are to be retired, added to, or otherwise affected by capital outlay. Such information is invaluable to purchasing agents, members of the council, and other interested officials upon whom falls the responsibility of authorizing the purchase of additions to the city's general fixed assets. Many such authorizations are usually made every year and adequate information should be available.

The forms on pages 24, 25, and 26 are illustrative of the kind that could be used to record properly all the facts about each asset owned by the city. Such forms may be filed in card index form or kept in a subsidiary ledger-- in either case the total of the amounts recorded on the forms in a particular group, e.g., the land accounts, should agree with the balance of the general ledger controlling account for that group. For every fixed asset owned by the city there would be a form containing all the facts about each asset.

Fortunately, the number of fixed assets owned by the City of Missoula is small enough so that no great amount of work would be involved in setting up adequate records. Certainly the advantages of having these records would far outweigh the time and effort spent in their preparation. Once set up they would require attention only upon the acquisition or retirement of fixed assets and at the time of the annual inventory of fixed assets. They would always be available for accurate and complete information.

FORM 1

To Record Land Owned

CITY OF MISSOULA
Land Ledger

Department _____

Legal Description _____

Location _____

Size _____

Purpose for Which Obtained _____

Present Use _____

General Ledger Control

Date _____ Amount _____

Date _____ Revised Am't. _____

Plat Book

Plat Book Page No. _____

Property No. _____

Legal Authorization

Date _____ Ordinance No. _____

Date _____ Ordinance No. _____

Deed

Revision Clause? Yes _____ No _____

If Yes, give deed conditions _____

Grantor _____

Type of Deed _____ Date _____

Recorded _____ Vol. _____ Page _____

No. _____

Copy on file with _____

For Land Purchased

Date _____	Amount _____	Voucher No. _____
Date _____	Amount _____	Voucher No. _____
Date _____	Amount _____	Voucher No. _____
Date _____	Amount _____	Gen. Jour. Page _____

For Land Otherwise Acquired

Date _____ Amount _____ Reference _____

Explanation _____

Method of Financing

<u>Method</u>	<u>Amount</u>
Bonds _____	_____
Current Revenues _____	_____
Gifts, Bequests _____	_____
_____	_____

Disposition Made

Date _____

How Disposed Of _____

Price _____

Receipt Document _____

Other References _____

FORM 2

To Record Structures and Improvements

CITY OF MISSOULA
Structures and Improvements Ledger

<p>Number _____</p> <p>Department _____</p> <p>Location _____</p> <p>Purpose for Which Obtained _____</p> <p>Present Use _____</p> <p>Estimated Life _____</p>	<p><u>Authorization</u></p> <p>Date _____ Ordinance No. _____</p> <p>Date _____ Ordinance No. _____</p> <hr/> <p><u>General Ledger Control</u></p> <p>Date _____ Amount _____</p> <p>Date _____ Revised Am't _____</p> <p>Date _____ Revised Am't _____</p> <hr/> <p><u>For Assets Constructed</u></p> <p>Date Completed _____</p> <p>Cost _____</p> <p>Work Order No. _____</p> <hr/> <p><u>For Assets Purchased</u></p> <p>Date _____ Cost _____</p> <p>Voucher No. _____</p>																					
<p><u>Method Of Financing</u></p> <table border="0"> <tr> <td></td> <td style="text-align: center;"><u>Original</u></td> <td style="text-align: center;"><u>Additions or</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>Amount</u></td> <td style="text-align: center;"><u>Deductions*</u></td> </tr> <tr> <td>Current Revenues _____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Gifts _____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Spec. Asses. _____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Gov't Share _____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Prop. Owners' Share _____</td> <td>_____</td> <td>_____</td> </tr> </table>		<u>Original</u>	<u>Additions or</u>		<u>Amount</u>	<u>Deductions*</u>	Current Revenues _____	_____	_____	Gifts _____	_____	_____	Spec. Asses. _____	_____	_____	Gov't Share _____	_____	_____	Prop. Owners' Share _____	_____	_____	<p><u>For Donated Assets</u></p> <p>Date _____</p> <p>Amount _____</p> <p>Reference _____</p> <p>Explanation _____</p> <p>_____</p> <p>_____</p>
	<u>Original</u>	<u>Additions or</u>																				
	<u>Amount</u>	<u>Deductions*</u>																				
Current Revenues _____	_____	_____																				
Gifts _____	_____	_____																				
Spec. Asses. _____	_____	_____																				
Gov't Share _____	_____	_____																				
Prop. Owners' Share _____	_____	_____																				
<p>Disposition Made _____</p> <p>_____</p> <p>Date _____</p> <p>Salvage Proceeds _____ C.J. or C.R.*Page _____</p> <p>Cost of Dismantling _____</p> <p>Retirement Order No. _____</p>	<p><u>Additions</u></p> <p>Date _____ Cost _____</p> <p>Work Order No. _____</p> <p>Date _____ Cost _____</p> <p>Work Order No. _____</p> <hr/> <p><u>Deductions</u></p> <p>Date _____ Amount _____</p> <p>References _____</p> <p>_____</p> <p>_____</p>																					

11750 - 170000 - 100000

FORM 5

To Record Equipment

CITY OF MISSOULA
Equipment Ledger

Item No. _____

Description _____

Department _____ Division _____

Serial No. _____ Make _____ Model _____

Date Received _____ Purchase Order No. _____ Estimated Life _____

Cost _____ Vo. No. _____
Freight _____ Vo. No. _____
_____ Vo. No. _____

ADDITIONS
Date _____ Amount _____
Reference _____

Total Original Cost _____
Date _____ Revised Cost _____
Date _____ Revised Cost _____

Date _____ Amount _____
Reference _____

Method of Financing

Original Amount _____ Additions or Deductions* _____

Current Rev. _____
Gifts _____

Deductions

Date _____ Amount _____
Reference _____

Disposition _____

Remarks _____

Date _____ Amount _____
Reference _____

One of the principles set forth by the National Committee on Municipal Accounting states that, "A clear segregation should be made between the accounts relating to current assets, liabilities, and operations, and those relating to fixed assets and liabilities. Asset accounts for permanent property not available to meet expenditures or obligations should be segregated from other fund assets and the equity represented by them not included in the current surplus of any fund."³³ The ownership of municipal property is such that it may not be pledged for the purpose of securing funds. Municipal property may not be sold except as stated by law. Investors in municipal bonds must therefore rely on the current financial condition of the municipality exclusive of any investment in fixed assets. Fixed assets should not be identified with any of the fund accounts because the current position of the fund may thereby be distorted to present a financial picture not in accord with the facts. A good example of this may be taken from the annual statement for the City of Missoula for 1947.³⁴ Current assets are reported as amounting to \$309,665.05. Included in this total are tools, machinery and equipment amounting to \$79,227.47 and library books in the amount of

34 --This statement is prepared according to form as prescribed by the state examiners office.

33 --National Committee on Municipal Accounting, "Municipal Accounting Statements," Chicago: The Committee, 1941, p. 143.

\$30,365.44. Most accounting authorities would agree that these items can scarcely be considered current according to accepted definitions of that term.³⁵

The same report exhibited a "Revenue Accumulation Surplus" of \$2,292,751.42. The average taxpayer reading this report may question the propriety of further taxation when the city presumably has a surplus available that seems more than adequate to meet current annual expenditures of approximately \$370,000.00.³⁶ Careful observation will reveal, of course, that of the \$2,292,751.42 exhibited in the surplus account, \$2,155,987.50 is an offset or balancing amount for the fixed assets (which includes assets carried in the statement as current, i.e. tools, machinery and equipment and library books). These assets are not available to meet the city's current obligations for the reasons mentioned above. The taxpayer, investor, and business man are primarily interested in the ability of the city to pay its bills and they are entitled to reports that clearly state the extent of this ability.

The accounting entry to adjust the accounts so that fixed assets may be segregated from the general fund accounts is relatively simple. An illustrative entry follows. This entry assumes that no previous entry has been made

35--Current assets are those ordinarily converted into cash within a given period, usually a year--H. A. Finney--Intermediate Accounting, 3rd, Rev. Edition, Prentice-Hall, Inc., N. Y., Page 54.

36--Based on total expenditures of \$370,088.30 reported in the City Clerk's Annual Financial Statement to the State Examiner for the Fiscal Year ending June 30, 1947--City of Missoula, County of Missoula, State of Montana.

affecting the fixed assets.

Revenue Accumulation Surplus	\$2,155,937.50
Investment in Fixed Assets	\$2,155,937.50

Actually the entry would be made to reflect the source of the acquisition of the property when the information could be found, i.e., the credit might be made to various accounts such as Investment in Fixed Assets from Current Revenues, from Bonds, from Donations, etc. If the source of the acquisition is unimportant or impossible to determine, the entire investment may be reflected in one account as illustrated in the entry above.

The accounting result of this entry will be a reduction of "Revenue Accumulation Surplus" to a figure representing the current or actual surplus available for expenditure in the various funds. Segregation of the fixed assets from the general fund accounts as approved by the National Committee on Municipal Accounting will also be accomplished.

CHAPTER IV

Annual Audits by Certified Public Accountants

Insofar as the writer has been able to discover, the books and accounts of the City of Missoula have never been audited by an independent accountant. This is not an uncommon situation, particularly in Montana where the state maintains an examiners' office which examines municipal accounts. All municipalities are required to budget a sum to cover the expenses of a yearly examination by an auditor from the state examiners' office. Essentially this examination consists of an audit of the receipts and disbursements in sufficient detail to detect the presence of fraudulent conduct on the part of local officials. It in no way pretends to be a complete audit of the accounts. Without doubt this form of audit presents a most economical and, in many respects, effective form of control over defalcation. Its economy may be viewed as "short run", i.e., it may be that from the long run point of view this method could prove less economical than other methods as the ensuing discussion will attempt to point out. Its effectiveness depends to a large extent on the thoroughness with which the state examiner pursues his examination. If he is lax and overly confident in the integrity of various officials, the value of his findings may become negligible. This is not to imply that the examiners have been lax in their duty, but is merely to point out a possibility.

The Municipal Finance Officers Association through their sponsored Committee on Municipal Accounting have long advocated audits of municipal accounts by independent certified public accountants. Professor F. H. Elwell of the University of Wisconsin, a well-known writer on municipal accounting, has outlined the purposes of an audit as follows:³⁷

1. To report the financial condition of the governmental unit to its citizens.
2. To give administrative officers an impartial view of the financial situation of the city.
3. To meet the requirements of bonding or surety companies.
4. To determine the amount of shortage or manipulation where fraud or embezzlement is suspected.
5. To check disbursements as to legality.
6. To get a picture of financial and accounting affairs by which accounting systems may be revised.
7. To provide certified reports for bond companies and investment bankers as to bond issues, etc.
8. To prepare the several reports required by state and federal authorities.
9. To show condition of certain funds or operations of utilities.
10. To check revenues to see that proper amounts have been received.

The above objectives of an independent audit will be discussed in the order given.

37--F. H. Elwell, "Municipal Audits," Municipal Finance, November 1937, Pp. 21-22, Vol. 10.

1. To report financial condition of the governmental unit.

Public indifference is an important factor in the growth and development of our cities. One may reach the conclusion that one of the reasons for apathy on the part of tax paying citizens may be the lack of publicity between city officials and the public regarding governmental operations. An audit by independent accountants could be publicized in such a manner as to arouse public interest in the audit and in the findings of the audit. Publicity about the audit could include facts such as its cost, its purpose, and the fact that it is something out of the ordinary in that it is not a state requirement. When letting bids for such an audit the nature of the reports to be prepared should be specified. These could include specifications for popular reports designed specifically for the taxpayer.

Assuming public respect for the certified public accountant and adequate publicity as outlined, it is reasonable to assume that a more interested and well-informed public should result. In this respect the increased cost of an independent audit might produce long run benefits that the present system probably does not produce. A well informed, intelligent, voting public can wield much influence toward the attainment of efficient government. Walter R. Darby, commenting on this subject, stated that, "There is little or no incentive for doing anything constructive especially if

it means a fight. We may win the fight--temporarily, and lose the office--permanently."³³

A public that is government conscious and understands issues at stake would prevent "losing the office permanently" because it would vote on the basis of a sound knowledge of governmental operations. Government officials with this kind of public spirit to deal with would have the incentive to constantly improve their municipality. This point of view obviously has aspects of idealism and tends to ignore many factors ever present in American politics. Nonetheless, the use of independent audits to educate the public appears to be one feasible step toward better government.

2. To give administrative officers an impartial view of the financial situation of the city.

The old saying, "one cannot see the forest for the trees", might be used to express the position municipal officials find themselves in--all unconsciously. They may be so close to their work as to shut out certain of the broader aspects, aspects that spell the difference between mediocre and excellent government. The independent audit should provide the administration with an impartial view of its conduct. It may go beyond mere reporting of conduct and point the way to consistently better accounting and reporting technique. This should be the effect of a series

33--Walter H. Darby, "Uniform Accounting," Municipal Finance, February 1935, pp. 12-15, Vol 7.

of audits and could be the effect of one audit if experts on municipal problems were employed to perform the audit. Such experts would recognize and point out the potentials being overlooked. Thus a case is made for employing experts in the field of municipal accounts rather than just anyone with a knowledge of accounting.

Frequently it is found that governmental officials are not only unaware of the possible benefits of an independent audit, but are vague about the scope of the work to be performed. Independent auditors are not entirely guiltless in this regard as is pointed out in the following case. "The City of Reading some time ago asked for bids for an audit. The fact that the bids received ran all the way from \$2,500.00 to \$40,000.00 shows how confused the situation was as to the scope of the audit and general specifications. In matters of this kind the city officials are usually much at sea as to what is wanted. Under such conditions the best plan is to call in the Chamber of Commerce or Rotary Club. These business men can usually offer valuable, unbiased advice to the city fathers without suspicion of politics. Furthermore they would select an auditor as they would for their own business."³⁹

A double objective is attained as a result of looking to the business and professional men of the city for advice. The government, by calling on the citizenry, secures the

39--William H. Welcher, "Municipal Accounting in Pennsylvania," Municipal Finance, May, 1937, pp. 15-19, Vol. 9.

confidence and cooperation of an influential group and services are obtained that might otherwise be overlooked.

A newly elected administration may have little or no background or training for the job assumed but, if this fact is recognized and competent, experienced help is solicited, an efficient government may well result. Here also, the aid given by independent annual audits is clearly a positive aid to better government. An audit is usually made on a fiscal year basis and in Missoula the elections occur just prior to the close of the fiscal year. This means that the incoming officials would have the benefit of any advice the independent auditors could give. Such advice might encompass a review of the past year's transactions and the weaknesses and strong points inherent therein.

Enough has been said on the subject to indicate that selection of the auditor is important. Recent writers⁴⁰ on the subject of independent audits have advocated elimination of the bidding system in securing the services of an independent accountant. The contention is that the competitive bidding system encourages hasty, carelessly, shoddily managed audits that fail to achieve the aims desired. It is felt that the accounting firm should be selected on the basis of its

40--Fladger F. Tanney, "Independent Municipal Auditing," Accounting Review, October 1942, pp. 363-370, Vol. 17.

Charles F. Coates, "Extending the Horizons in Municipal Auditing," Municipal Finance, November 1941, pp. 3-6, Vol. 14.

fitness for the job rather than on the basis of a low bid. Although this is a reasonable argument, it overlooks the fact that many governments are required by law to ask for bids on all purchases--whether of materials or services.

3. To meet the requirements of bonding or surety companies.

Since the City of Missoula has had no difficulty in obtaining bonds for its employees it is felt that this objective of an audit need not be considered beyond the mention of its existence.

4. To determine the amount of shortage or manipulation where fraud or embezzlement is suspected.

There is no doubt about an audit as an effective (and perhaps only) method of determining the amount of cash shortage. Indeed the audit may be required to determine that defalcation had occurred in the first place, i.e. if an audit had not been conducted the shortage might never have been discovered. Many people believe that an audit is for the sole purpose of detecting fraud. In reality this is but one small phase of auditing. For one thing, the very fact that employees know an annual audit is made tends to inhibit tendencies they may have of a dishonest nature. In effect the annual audit helps keep officials trustworthy. Thus fraud is prevented which might otherwise thrive. However, as was pointed out earlier, the annual examination by the state examiner probably acts quite as effectively in this respect as an independent audit.

5. To check disbursements as to legality.

Funds raised by taxation must be disbursed in accordance with laws and statutes which define the purposes for which money may be expended. In addition, the actual expenditure of money by a governmental unit must be preceded by an appropriation, i.e., money must be appropriated from a particular fund for every expenditure. It is the auditor's responsibility to determine that every disbursement made during the period audited was made in accordance with the law. In this respect the audit by the state examiner probably serves as well as would an independent audit.

6. To get a picture of financial and accounting affairs by which accounting systems may be revised.

Constant contact with the accounts and the accounting system makes it difficult for city accounting officers and the state examiner to see the need for revisions. Where revisions are obviously needed the accounting officer may ignore the need for reasons of expediency. It is only human to cling to the status quo. Changes require adjustment, adjustment that comes hard for many people and especially so where the change is deep seated in character.

The independent accountant comes onto the scene with a fresh or at least different point of view. He can draw on his experience with many forms of accounting systems to recognize flaws and antiquated methods in the system in use.

He will have no inhibitions about modification or change and, if he is an authority in governmental accounting, his suggestions may result in reduced clerical labor, better reporting, and improved internal control. A saving may result as certain forms, statements, and rulings in books of original entry are either revised or eliminated.

For example, a considerable saving to Montana municipalities might accrue if the form of the "City Clerk's Register of Warrants and Bonds Issued" should be revised. This book is printed on high quality, very heavy paper and measures approximately sixteen by twenty inches. The printing costs for ruling and heading the columns for this one book must be very substantial because a number of pages are filled every month (the number of pages used will vary with each municipality). A survey of entries made in this particular book indicates that only two or three entries are made on the entire left hand page in contrast with an entry on every line of the right hand page. This situation arises because an entry is made on the right hand page for each warrant issued from a particular fund. It seems likely that the form could be revised to incorporate the two pages on one page. This would mean that the same number of entries could be entered on half the number of sheets now required since both sides of a sheet could be ruled the same. This may seem a small saving but the same idea, consistently applied, might

mean considerable savings in printing charges and clerical help if all the books were similarly revised. Pages 41 and 42 illustrate the book now in use by the City of Missoula. A suggested revision of this book is illustrated on page 43.

An analysis of the City Clerks Register of Warrants and Bonds Issued⁴¹ discloses that during the period of February 28, 1945 to June 30, 1947, 347 entries were made on the 146 left-hand pages of the book. This results in an average of less than 2.4 entries per page. If the entries which are posted individually from the column for accounts 501-600 (Capital Outlay and Sundry Debits) are omitted from the analysis an average of 1.64+ entries per page is obtained. Five of the columns provided had no entries⁴², and two had only one entry⁴³. The column for city expense (201-300) had 160 entries in the period studied or an average of 5.3+ entries per month. The column for capital outlay and sundry debits (501-600) had 107 entries--all of which are posted individually to the ledger and which, accordingly, would not change the picture if the revised form presented on page 42 was adopted. The column for Trust and Agency Reserves (601-700) had 76 entries or an average of 1.5+ per month. This means that all of the debit postings to the ledger could be made

41--See half size illustrations on pages 41 and 42.

42--101; *From Undistributed Personal Taxes; 103, Interest; 301-400; and 401-500.

43--102, 104, and Bonds Issued.

with less than fifteen postings per month from a single column--
 SUNDRY ACCOUNTS DEBITED--as provided in the illustration
 (the number of postings required is arrived at by multiplying
 the number of entries per page by the number of pages used
 per month).

A saving in posting time is realized that does not
 appear in the average given because column totals need not
 be carried forward (because all but one column would be
 eliminated). Savings are effected by use of the suggested
 form in several ways as follows:

- (1) The book is 100% more efficient in the use of expensive paper--both sides of a sheet can be ruled the same.
- (2) Work in the book is confined to a spread of 20 inches instead of the present 40 inches. Greater accuracy should result.
- (3) Columns are reduced to a minimum with no sacrifice in efficiency--fewer totals have to be carried forward. This is an important feature since 4.86+ pages per month are used. The economy normally present in the use of columns is completely negated in this case by the necessity of carrying totals forward several times.
- (4) As the city grows, more warrants will be issued from the various funds (particularly the general fund) and the number of pages used will increase thus requiring added forwarding of totals. The suggested form reduces forwarding to a minimum.

CITY CLERK'S REGISTER OF WARRANTS 4
(Size 15 1/2" X 20 1/2")

Missoula City Form 1926

Debits										
101-104-Refunds					201-300	301-400-City Debt				401-4
101	*	102	103	104	City Expense	Int.	Item	P	Principal	Sink Fund In
					300					
					300					
					(201)					

Column Headings: (Where space is inadequate in illustration to enter heading)

101--Tax Roll--City Portion--Charge Tax Reserve.
 * --From Undistributed Personal Taxes.
 102--From General Revenue Miscellaneous.
 103--From Interest.
 104--From Collections and Comm'l Revenue.
 401-500--Sinking Fund Investments.
 601-700--Trust and Agency Reserves.
 Bonds Issue--Charge Treasurer's Collection Account.

HALF-SCALE REPRODUCTION OF LEFT HAND PAGE OF CITY CLERK'S R

REGISTER OF WARRANTS & BOND ISSUED
 (15 1/2" X 20 1/2")

Principal	401-500-Non Pay		501-600 Cap. Outlay & S. De			601-700	Bonds Issued	Total
	Sink Fund Inv.	Transfers	Item	F	Am't	T. & A. Res.		

(to enter heading)

2.

CITY CLERK'S REGISTER OF WARRANTS AND BONDS ISSUED

CITY OF MISSOULA, MOE

(Size 15" X 20")

Explanation											
Date Issued			To Whom Issued	Warrant or Bond No.	When Paid			Gen'l	Road	Int. & Sist.	Comets
No.	Day	Year			No.	Day	Yr.				
6	30	47	Bill Smith	G 10				50.			
	30		Joe Brown	11				100.			
	30		Sam Speed	12				25.			
	30		Men's Shop	13				1250			
	30		Barthel's Hdwe.	14				1250			
	30		Geo. Raft	15				<u>100.</u>			
								300.			

Notes:

* Trust and Agency Orders--Sidewalk and Curb.

HALF-SCALE REPRODUCTION OF RIGHT HAND PAGE OF CITY CLES

CITY OF MISSOULA, MONTANA

Size 15" X 20"

Credits											
Fund Warrant Accounts										City	
Int. & Sinking	Cemetery	Lib.	Park	Pub. Bond	County Lib.	Police Retirement	T & A *	T & A Others	Bonds Issued	Total	

mt.

PAGE OF CITY CLERK'S REGISTER OF WARRANTS AND BONDS ISSUED

CITY OF MISSOULA, MONT.
Proposed Revision of City Clerk's Register
 (Half Scale-Act. Size 18")

Explanation					Debits					
Issued			Warr. or Bond No.	Paid		Accounts Debited			Gen'l.	Road
M.	Day	Yr.		M.	Day Yr.	Item	F	Am't.		
6	30	47	Bill Smith	G 10					50.	
	30		Joe Brown	11					100.	
	30		Sam Sneed	12					25.	
	30		Men's Shop	13					12.50	
	30		Berthelt Hdwo.	14					12.50	
	30		Geo. Raft	15					100.	
						City Expense	201	300	300.	
	30		Mary Little	L 1						
	30		Sus Small	2						
	30		Tilly Horn	3						
						City Expense	250	100		

Explanation of Changes made:

Entire Left Hand page eliminated.

Overall width of Explanation section reduced from 6 3/4" to 4

Total Column at extreme right eliminated.

Debit section added--Item, Folio, and Amount columns.

Nothing else is changed. The "To Whom Issued" column would be two instead of the present three inches. This seems adequate, but if more were needed a slightly longer book (two inches) would answer the need.

CITY OF MISSOULA, MONTANA
Clerk's Register of Warrants and Bonds Issued
 (Re-Act. Size 15 1/2" X 20 1/2")

Credits												
Fund Warrant Accounts												City Bonds Issued
m't.	Gen'l.	Road	Int. & Sinking	Com.	Lib.	Park	Pub. Bond	County Lib.	Police Retirement	T & A *	T & A Others	
	50.											
	100.											
	25.											
	12.50											
	12.50											
	100.											
100	300.											
					30.							
					20.							
					50.							
100					100.							

from 6 3/4" to 4 1/2".

columns.

sum would be two inches wide adequate, but if more space could answer the need.

7. To provide certified reports for bond companies and investment bankers as to bond issues, etc.

This objective appears at first to have little bearing on the financial outlook of a city like Missoula. When, however, one discovers that bonds to finance an improvement district were bid on by only one banking house, and that the rate of interest was 5½%, a different light is thrown on the subject. If certified reports were available for presentation to various investment bankers and especially if a series of such reports were available, it is reasonable to assume that bond issues might tap a more favorable market. Investment bankers must have reliable information as a basis for their operations. The audit report of a public accounting firm provides this information. Here again the long run economy of independent audits seems evident. The sale of one bond issue at a more favorable rate than would be possible under the present system should more than offset the added cost of the audit.

8. To prepare the several reports required by state and Federal authorities:

This objective is attained by the uniform system of accounts in Montana by requiring reports that are easily prepared--even by relatively inexperienced personnel. However, if more elaborate statements should be required for any reason, e.g., by the Federal government, by bonding companies, contractors, etc., an independent audit would provide a most acceptable source.

9. To show condition of certain funds or operations of utilities.

Under the present uniform system of accounts used in Montana cities the condition of particular funds is somewhat obscured by the method of reporting. Insofar as an independent audit resulted in the preparation of more extensive reports a benefit would be realized.

10. To check revenues to see that proper amounts have been received.

"From the standpoint of finance officers, one of the most important purposes of an audit is to see that your particular municipality has received its just and legal share of all revenues collected from the public by the county or state. This is extremely important to do when so many varying divisions of collections are made."⁴⁴ If a city collected all of its revenues through its own treasurer's office the determination of receipt of revenue would be simple. It is, however, common practice to have county and state offices do a share of collecting various taxes. These receipts are then remitted to the proper municipality. An adequate check on the collection and remittance of such revenues appears to be sound accounting practice.

44--F. H. Elwell, "Municipal Audits", Municipal Finance, November, 1937, pp. 21-22, Vol. 10.

Whether the preceding arguments have validity can only be determined by test. It would be interesting to observe the progress of a Montana city after adopting independent audits both in comparison with other cities and with its own progress in former years.

CHAPTER V

Financial Reports

The entire accounting procedure--whether it be for a business or a governmental unit--should be directed to one objective, the preparation of readable, informative, financial reports--reports that will provide administrators with the tools with which to do their jobs most efficiently. In addition in the case of municipalities, reports should be prepared that will convey to the tax-paying public a statement of stewardship on the part of their elected officials. If the accounting system does not provide these reports or if it does not provide them promptly, the system fails in a most important respect. Even if the accounting system meets every other requirement of sound accounting practice such as accurate recording and adequate internal control, it is useless if the information thus provided is not properly and promptly presented to interested officials in the form of reports and statements. "The whole problem of organizing an accounting and reporting system should be approached from the reporting standpoint,"⁴⁵ It is not enough that the daily business transactions be promptly and accurately recorded. Nor is it enough to thwart fraud and defalcation. Such safeguards are by-products (important by-products to be sure), of the process required to provide adequate financial reports.

45--Henry F. Seidemann, "Reducing Federal Expenditures", Annals of the American Academy of Political & Social Science, Jan., 1933, pp. 131-7, Vol. 165.

The main emphasis of the entire system and hence the efforts of the bookkeeping or accounting personnel should be directed toward the preparation of comprehensive, informative reports, "The accounting officer has a social responsibility both to care well for public funds and to educate the citizenry as to how the money raised by taxes is used. It is essential that the public be instructed more fully upon the how and why of the financial reports of municipalities."⁴⁶ An alternative to instructing the public upon the how and why of municipal financial reports would be presentation of reports that need no instruction for interpretation. This, it would seem, is a more logical approach to the problem than devising means to educate or instruct the public. A common complaint of municipal officials is that the taxpayers--the people that elected them--are indifferent to governmental problems. Is this the fault of the taxpayers, or is it the fault of the elected officials? If one looks upon the officials of a municipality as business men whose job is to sell the public a product--good government, the blame is readily placed and the elected officials are clearly at fault. They are failing to put their product across--to sell it to the consumer. No matter how good that product may be the public is apt to be indifferent about it unless it is advertised and brought to the attention of potential users. Viewed in this

46--G. P. Ellis, "Essentials of Municipal Accounting," Municipal Finance, August 1936, pp. 4-7, Vol. 9.

light, public indifference, public apathy, and the attitude that "those fellows in the city hall are just a bunch of politicians," may possibly be traced to a failure to advertise.....a failure to present the public with accounting reports incorporating those features of presentation necessary to attract and hold the reader's attention. If the reader's interest can be captured, it is reasonable to assume that indifference will be overcome--at least to some degree. If it be assumed that indifference and apathy on the part of the public can be overcome, then it can also be assumed that better government will follow. Just as a carefully planned advertising campaign will increase sales, so will competent financial reporting by governments increase confidence and interest in government. However, it should not be overlooked that advertising alone will not sell the product. If the product is to gain popular support and use, it must be a good product, a product that will merit the claims of its advertising. Applying this analogy to governmental reports would indicate that any report issued by a governmental unit should tell the facts in the clearest possible language without exaggeration. As in an advertisement of a product, the reports should reveal what the governmental unit has done in the past, what it can do, and what limitations are imposed on its actions. In other words, the problem is to sell the product, government, to all the citizens of the unit. A good selling

job should result in an improved product.⁴⁷

Producing the statements and reports required to do the selling job pictured above may present quite a problem-- particularly if nothing of this kind has been attempted before. The job is a challenging one, one that requires considerable ingenuity and a degree of progressive thought. It is all too easy to follow familiar forms and patterns--never stirring from the path of convention and precedent. Such a state of arrested development demands the services of a capable and determined official who is public spirited and who is aware of the need for progress to overcome the inertia of tradition, precedent, and familiar pattern. Once the traditional pattern has been broken the job becomes easier with every succeeding year for the simple reason that a new pattern to follow has been developed. Therefore, the primary problem would seem to be in forcing the adoption of new techniques. After such adoption the problem becomes one of repetition until new changes are required. Generally the original of a product is the difficult one to achieve....the repeats come as a matter of course. However, it should not be overlooked that the same

47--This statement is made on the theory that needed reforms are made feasible by the presence of an informed electorate-- by an electorate that will be interested enough to vote on important issues. Witness a recent election in Missoula where less than 25% of the eligible voters actually voted on a proposal to issue general obligation bonds to finance needed fire stations and a new city hall. The proposal was lost because state law requires at least 40% representation. For additional data on this election see: Proceedings of the City Council of the City of Missoula for the Month of June, 1947, page 6.

danger exists in this ease of repetition in the case of improved reports that exists in the present system, i.e., because the established patterns are the easiest to follow, a tendency always exists to resist change. This resistance, this worship of the status quo, is the strongest deterrent to progress that can be presented. What is needed is a policy of constant review of requirements and adaptation or change to meet the changing conditions. The reports of yesteryear, though satisfactory then, are not necessarily the ultimate for this year nor will this year's reports necessarily fit the needs of administrators and citizens a decade hence. If good government is the object, if public interest in good government is mandatory, the governing officials must present to the public reports of stewardship that will induce public interest and combat public indifference.

The perplexed accounting official may well question the practicality of such a proposition. He may point out that time will not permit the study and research required, that neither he nor his help have any idea of how to proceed, that funds are not available, and so forth. Obviously the needed changes cannot be wrought overnight. It would undoubtedly take many nights or even years. But the goal will never be attained if a start is not made. Someone will have to find the time and acquire the knowledge. An easy way to accomplish a great deal in a short time would be to make this

a special project, funds to be provided as for any other project, and experts in this work hired to make the initial surveys and to draw up recommended reports.⁴⁸ If such a project is not feasible, the task must fall on the shoulders of the accounting force. It will be up to them to familiarize themselves with the latest techniques in governmental accounting and reporting. A wealth of material for study is available in the various journals⁴⁹ and several excellent texts have been written on the subject.⁵⁰ Several time-tested techniques are available that would be excellent forerunners of a planned reporting program.

Generally, it may be assumed that taxpayers are less interested in the receipts and expenditures of any one year (although these may be important to a few) than they are in the receipts and expenditures of a series of years. In other words, comparative statements have a degree of appeal not common to single year statements. Statements that reveal conditions of increasing and decreasing costs and revenues have significance to the average person, whereas the costs and revenues of a particular year may mean very little.

48--Chapter 4, page 34 outlines one method of securing these services.

49--Such as Municipal Finance, Accounting Review, etc.

50--Chatters and Tenner, Municipal and Governmental Accounting, New York: Prentice-Hall, Inc. 1947, 593 pp.

Morey, Lloyd, and Hackett, Robert P., Fundamentals of Governmental Accounting, New York: John Wiley & Sons, Inc. 1942, 443 pp.

This is true because most taxpayers lack the knowledge to judge whether expenditures are excessive, normal, or on the economy level. Assuming this lack of knowledge, the comparative statement will act as a guide for judgement because it will clearly show increasing and decreasing costs of government.

It would seem that comparative and statistical statements should be made up for the public rather than the periodic monthly or annual report which reveals only what was received or spent in a given period. The monthly reports now required may convey the picture to the State Examiner's Office because that office is working with them all the time and is familiar with past conditions. They mean very little to the casual reader. The same information that is now published in report form could be made more effective by the simple device of presenting it in the form of a graph. One common type of graph familiar to everyone is the segmented circle showing percentages of a total spent on various functions. This kind of graph can be used to tell in an interesting and eye-catching way the amount of the budget, the amount of the budget expended to date and the amount remaining. The taxpayer should be more interested in the percentage of his tax dollar that gives him fire protection or police protection than in the actual sum expended to provide these services--particularly if that sum is not related to some comparative data.

Statements of the kind mentioned above are just as easily produced and have more meaning than the reports currently prepared. The following pages will be used to illustrate various statements easily produced from the trial balance of the City of Missoula. In the case of comparative statements it is, of course, necessary to use several trial balances according to the number of years compared.

The Combined Balance Sheet--All Funds⁵¹

The combined balance sheet is the counterpart of the statement section of the City Clerk's Annual Financial Statement to the State Examiner for the Fiscal Year ending June 30, 1947.⁵² This section of the Clerk's report is referred to as the statement section simply because the heading contains no information other than the word "Statement". In effect, this "Statement" is nothing more than a classified trial balance with the exception of three accounts, Cash, Warrants Outstanding, and Bonds Outstanding. These accounts are totals of several trial balance accounts and are supported by six detailed schedules. One other entry in the 1947 statement, Miscellaneous Fixed Assets--\$1,631,416.53, not found in earlier statements, represents certain fixed asset accounts in the trial balance. This seems to be a large sum to label "miscellaneous."

51--Illustrated on page 59.

52--Illustrated on pages 57-58.

The Combined Balance Sheet form of presentation differs from the "Statement" in several respects: (1) Cash available in each fund is shown in the body of the statement rather than in a schedule, (2) All other assets and liabilities are shown by funds, (3) The unappropriated surplus of each fund is shown, (4) The account, "Revenue Accumulation Surplus", is completely eliminated, (5) General Fixed Assets and General Bonded Debt are shown as distinct from the assets and liabilities of the funds (fixed assets are shown in three accounts: Land, Structures and Improvements, and Equipment, thus eliminating about thirty-five detail accounts that have little meaning for most readers--these details can be shown in a schedule of changes in fixed assets).⁵³

The balance sheet (Statement) currently prepared on a form prescribed by the State Examiner's office lists as current assets such things as library books, machinery and equipment, and automotive equipment. Assuming the commonly accepted definition of "current assets" to be "those assets which will ordinarily be converted into cash within a period of one year", and further assuming that this definition applies to governments as well as businesses, the validity of including the aforementioned accounts in the current assets section is questionable. Obviously there is no intention of

53--See Chapter 3 for a detailed treatment of fixed assets.

converting these assets to cash within one year or ten years or at all until replaced with other assets of a similar nature and not then except as a trade-in value may be deemed cash. They are assets purchased for use by the departments and are essential to the successful functioning of those departments. They have none of the characteristics commonly attributed to current assets. Their realizable value is probably but a fraction of that at which they are carried on the books and in the "Statement." The "Statement" lists as the total current assets of the city--\$309,665.05. Eliminating these non-current items reduces that figure to \$150,072.14 or less than one-half the original figure.

The combined balance sheet seems to be a logical choice for reporting the condition of the City of Missoula because of the relative simplicity of the accounting system and the fact that the city does business on a cash basis. (No accounts are carried for appropriations, appropriation expenditures, encumbrances, etc.). Separate balance sheets by funds would involve unnecessary work because most of the funds will have only two accounts--cash and surplus. An instance where individual balance sheets by funds would be practical is treated in the next section dealing with comparative balance sheets.

**STATEMENT SECTION
of the
CITY CLERK'S ANNUAL FINANCIAL STATEMENT
TO THE STATE EXAMINER**

For the Fiscal Year Ending June 30, 1947

Current Assets:

	<u>Detail</u>	<u>Total</u>
Resources		
Cash, As per Schedule I	\$ 133,403.49	
Petty Cash	123.00	
Taxes Receivable	14,543.63	
Tools, Machinery and Equipment:		
Fire Dept. Equip. and Machinery	20,241.09	
Street Dept. Equip. and Machinery	16,733.73	
City Parks Equip. and Machinery	5,703.32	
City Cemetery Equipment and Machinery	11,241.33	
City Traffic Equipment and Tools	5,241.43	
Police Automotive Equipment	4,704.33	
Police Radio Equipment	2,450.43	
Activian Pool and Bath House Equipment	1,233.47	
Miscellaneous:		
City Library Books	23,203.61	
County Library Books	<u>21,251.23</u>	
Total Current Assets		\$ 309,443.03

Fixed Assets:

Land and Buildings:

Tax Deed Land	4,542.96	
City Hall Land	6,000.00	
City Hall Buildings	6,200.00	
Fire Station Land	6,000.00	
Fire Station Buildings	5,233.33	
City Library Land	5,000.00	
City Library Buildings	22,749.00	
City Parks Land	93,750.00	
City Parks Building	13,747.40	
Activian Swimming Pool and Bath House	123,000.00	
City Cemetery Land	10,223.00	
City Cemetery Buildings	19,223.27	
City Garbage Dump	<u>1,000.00</u>	
Total Fixed Assets		\$ 330,123.93

Furniture and Fixtures:

City Hall Furniture and Fixtures	4,023.33	
Fire Station Furniture	454.33	
City Library Furniture and Fixtures	13,222.49	
County Library Furniture and Fixtures	<u>2,292.33</u>	
Total Fixed Assets		\$ 20,056.12

Miscellaneous

\$1,021,413.33
\$1,921,921.61

Special Improvement District Assets:

Cash, as per Schedule II	12,049.90	
Assets Other Than Cash:		
Assessments Receivable	9,233.63	
Trust and Agency Reserves	123,674.21	
Subsequent Assessments	11,733.33	
Equipment:		
Maintenance District Machinery and Equip..	3,334.43	
Special Lighting District Equipment	9,633.00	
Improvement District No. 75, Truck Ass't..	<u>2,572.64</u>	

Total, Special Improvement District Assets
\$ 192,641.34

Grand Total All Resources and Deficit
\$2,477,903.00

Liabilities	Detail	Total
Current Liabilities:		
Warrants Outstanding, as Per Schedule III . .	\$ 23,230.77	
Collections Received on 1947 Taxes	<u>26,526.63</u>	
Total Current Liabilities		\$ 49,757.40
Fixed Liabilities:		
Bonds Outstanding, as per Schedule V	24,000.00	
Revenue Acculation Surplus	<u>2,292,751.42</u>	
Total Fixed Liabilities		\$2,316,751.42
Special Improvement District Liabilities:		
Special Impvt. Dist. Warrants, as per Sched IV	6,751.09	
Special Impvt. Dist. Bonds, as per Sched. VI.	<u>44,838.09</u>	
Total Special Improvement District Liabilities		\$ 51,589.18
Grand Total, Liabilities and Surplus		\$2,417,908.00

Assets

	Total	General	Road
Cash--City	\$ 135,403.49	\$ 59,535.50	\$ 7,434.23
Cash--Special Improvement District	12,049.90		
Petty Cash	125.00	125.00	
Texas Receivable	14,543.65	14,543.65	
Land	131,367.94		
Structures and Improvements	1,838,712.55		
Equipment	185,907.01		
Assessments Received T. & A.	9,330.65		
T. & A. Reserve	138,674.31		
Subsequent Assessments	11,793.39		
Amt. to be Provided for Bond Retirement	84,000.00		
	<u>\$2,591,907.89</u>	<u>\$ 74,204.17</u>	<u>\$ 7,434.23</u>

Liabilities

Warrants Outstanding	\$ 23,230.77	\$ 15,390.66	\$ 999.11
Fees Collected in Advance	26,536.63	26,536.63	
Special Improvement District Warrant	6,761.09		
Special Improvement District Bonds	44,638.09		
Bonds Payable	84,000.00		
Investment in Fixed Assets	2,155,967.50		
Unappropriated Surplus	250,763.81	32,277.89	6,435.12
	<u>\$2,591,907.89</u>	<u>\$ 74,204.17</u>	<u>\$ 7,434.23</u>

CITY OF MISSOULA, MONTANA
 COMBINED BALANCE SHEET--ALL FUNDS
 June 30, 1947

Interest and Sinking	Cemetery	City Library	Park	Board	Police Retirement
\$ 8,515.64	\$ 4,244.32	\$ 8,953.88	\$ 7,635.36	\$ 895.33	\$ 6,155.6
<u>8,515.64</u>	<u>4,244.32</u>	<u>8,953.88</u>	<u>7,635.36</u>	<u>895.33</u>	<u>6,155.6</u>
	\$ 1,661.90	\$ 1,668.40	\$ 2,269.59	\$ 761.93	\$ 460.1
<u>8,515.64</u>	<u>2,562.42</u>	<u>7,285.48</u>	<u>5,365.77</u>	<u>133.40</u>	<u>5,695.4</u>
<u>8,515.64</u>	<u>4,244.32</u>	<u>8,953.88</u>	<u>7,635.36</u>	<u>895.33</u>	<u>6,155.6</u>

Exhibit A

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Revolving	Trust and Agency	Proceeds of Bond	General Fixed Assets	General Bonded Debt
\$ 4,173.41	\$ 12,049.90	\$ 27,810.17		
	9,330.65		131,367.96	
	138,874.31		1,838,712.53	
	11,793.39		186,907.01	
				84,000.00
<u>\$ 4,173.41</u>	<u>\$ 171,848.25</u>	<u>\$ 27,810.17</u>	<u>\$ 2,155,987.50</u>	<u>\$ 84,000.00</u>
\$	\$	\$	\$	\$
	6,751.09			
	44,838.09			
				84,000.00
<u>4,173.41</u>	<u>120,459.07</u>	<u>27,810.17</u>	<u>2,155,987.50</u>	
<u>\$ 4,173.41</u>	<u>\$ 171,848.25</u>	<u>\$ 27,810.17</u>	<u>\$ 2,155,987.50</u>	<u>\$ 84,000.00</u>

COMPARATIVE BALANCE SHEETS WITH COMPARATIVE STATEMENT OF
FIXED ASSETS, REVENUE STATEMENTS, AND EXPENDITURE STATE-
MENTS BY FUNDS--EXHIBITS B, C, D, and E:⁵⁴

A comparison of assets and liabilities by years has meaning for many readers who do not follow governmental activities closely enough to understand annual reports because the figures for one year have little meaning. A casual glance at a comparative statement will indicate whether a stable condition exists, or whether a trend is evident. A comparative balance sheet will indicate whether the balances of cash, taxes receivable, etc. are disproportionate for any one year. The Unappropriated Surplus account will indicate the appropriateness of the mill levy. A steadily increasing unappropriated surplus would indicate a mill levy in excess of requirements, while the opposite would be true in the event of a steadily decreasing surplus. Information of this kind would also be of value to the administrators. These comparative statements have no counterpart among the statements included with the City Clerk's Annual Report. They were prepared from five Annual Reports for the years 1943 to 1947.

54--See pages 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74 for illustrations of these statements.

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

General Fund

	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1944</u>	<u>1943</u>
<u>Assets</u>					
Cash	\$ 59,535.62	\$ 60,249.04	\$ 51,837.41	\$ 53,640.67	\$ 49,391.68
Petty Cash	125.00	125.00	125.00	125.00	125.00
Taxes Receivable	14,843.65	14,257.98	16,928.56	28,323.21	25,681.85
	<u>\$ 74,204.17</u>	<u>\$ 74,632.02</u>	<u>\$ 68,890.97</u>	<u>\$ 82,088.88</u>	<u>\$ 75,208.47</u>
<u>Liabilities</u>					
Warrants Outstanding	\$ 15,399.66	\$ 13,001.04	\$ 8,884.08	\$ 11,293.49	\$ 11,552.72
Taxes Collected in Advance	26,536.65	17,390.64	16,825.92	13,025.01	
Unappropriated Surplus	32,277.86	44,240.34	43,780.97	57,770.38	63,655.75
	<u>\$ 74,204.17</u>	<u>\$ 74,632.02</u>	<u>\$ 68,890.97</u>	<u>\$ 82,088.88</u>	<u>\$ 75,208.47</u>

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

Road Fund

<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	\$ <u>7,484.23</u>	\$ <u>14,196.22</u>	\$ <u>13,723.25</u>	\$ <u>15,225.41</u>	\$ <u>11,908.01</u>
<u>Liabilities</u>					
Warrants Outstanding	\$ 999.11	\$ 3,022.79	\$ 1,247.77	\$ 1,343.47	\$ 2,234.96
Unappropriated Surplus	<u>6,485.12</u>	<u>11,173.43</u>	<u>12,475.48</u>	<u>13,881.94</u>	<u>9,673.05</u>
	\$ <u>7,484.23</u>	\$ <u>14,196.22</u>	\$ <u>13,723.25</u>	\$ <u>15,225.41</u>	\$ <u>11,908.01</u>

CITY OF MISSOULA, MONTANA
BY FUNDS COMPARATIVE BALANCE SHEETS
For the Fiscal Years Ending June 30

Interest and Sinking Fund

<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	<u>\$ 8,515.64</u>	<u>\$ 8,098.96</u>	<u>\$ 7,914.74</u>	<u>\$ 7,759.28</u>	<u>\$ 7,792.58</u>
<u>Liabilities</u>					
Warrants Outstanding	<u>\$ 8,515.64</u>	<u>\$ 8,098.96</u>	<u>\$ 7,914.74</u>	<u>\$ 7,759.28</u>	<u>\$ 7,792.58</u>
Unappropriated Surplus	<u>\$ 8,515.64</u>	<u>\$ 8,098.96</u>	<u>\$ 7,914.74</u>	<u>\$ 7,759.28</u>	<u>\$ 7,792.58</u>

MISSOULA, MONTANA
 JUN 30 1947

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

<u>Cemetery Fund</u>					
<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	\$ 4,244.32	\$ 2,534.90	\$ 4,096.87	\$ 3,840.02	\$ 2,704.29
<u>Liabilities</u>					
Warrants Outstanding	\$ 1,682.00	\$ 1,596.10	\$ 1,289.10	\$ 1,374.16	\$ 1,311.08
Unappropriated Surplus	2,562.42	938.80	2,807.77	2,465.87	1,393.21
	<u>\$ 4,244.32</u>	<u>\$ 2,534.90</u>	<u>\$ 4,096.87</u>	<u>\$ 3,840.02</u>	<u>\$ 2,704.29</u>

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

CITY LIBRARY FUND

<u>Assets</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1944</u>	<u>1945</u>
Cash	\$ 8,953.88	\$ 9,921.55	\$ 12,614.91	\$ 11,675.86	\$ 9,612.21
<u>Liabilities</u>					
Warrants Outstanding	\$ 1,668.40	\$ 2,228.18	\$ 2,222.22	\$ 1,517.76	\$ 1,523.41
Unappropriated Surplus	7,285.48	7,693.37	10,392.69	10,158.09	8,088.80
	\$ 8,953.88	\$ 9,921.55	\$ 12,614.91	\$ 11,675.86	\$ 9,612.21

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

Park Fund

	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
<u>Assets</u>					
Cash	\$ 7,635.36	\$ 9,056.23	\$ 7,221.82	\$ 6,863.96	\$ 7,093.04
<u>Liabilities</u>					
Warrants Outstanding	\$ 2,289.59	\$ 1,014.54	\$ 1,724.25	\$ 1,547.23	\$ 1,976.53
Unappropriated Surplus	\$ 5,345.77	\$ 7,441.69	\$ 5,497.57	\$ 5,316.73	\$ 5,116.51
	\$ 7,635.36	\$ 9,056.23	\$ 7,221.82	\$ 6,863.96	\$ 7,093.04

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CITY OF MISSOULA, MONTANA
BY FUNDS COMPARATIVE BALANCE SHEETS
For the Fiscal Years Ending June 30

Board Fund

<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	\$ 895.33	\$ 774.06	\$ 216.75	\$ 364.60	\$ 239.25
<u>Liabilities</u>					
Warrants Outstanding	\$ 761.93	\$ 732.02	---	---	---
Unappropriated Surplus	133.40	42.04	216.75	364.60	239.25
	\$ 895.33	\$ 774.06	\$ 216.75	\$ 364.60	\$ 239.25

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

Police Retirement Fund

	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1944</u>	<u>1945</u>
<u>Assets</u>					
Cash	\$ 6,155.63	\$ 5,465.73	\$ 1,046.87	\$ 1,046.81	\$ 1,453.93
<u>Liabilities</u>					
Warrants Outstanding	\$ 460.15	\$ 362.00	\$ 362.00	\$ 65.00	\$ 65.00
Unappropriated Surplus	\$ 5,695.48	\$ 5,103.73	\$ 684.87	\$ 1,561.81	\$ 1,348.93
	\$ 6,155.63	\$ 5,465.73	\$ 1,046.87	\$ 1,046.81	\$ 1,453.93

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

Revolving Fund

<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	\$ 4,173.41	\$ 4,093.57	\$ 2,665.34	\$.61	---

Liabilities

Warrants Outstanding	---	---	---	---	---
Unappropriated Surplus	\$ 4,173.41	\$ 4,093.57	\$ 2,665.34	\$.61	---

CITY OF MISSOULA, MONTANA
 BY FUNDS COMPARATIVE BALANCE SHEETS
 For the Fiscal Years Ending June 30

Trust and Agency Funds
 (Consolidated Comparative Balance Sheets)

<u>Assets</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
Cash	\$ 12,049.90	\$ 12,915.12	\$ 12,131.58	\$ 20,878.20	\$ 13,707.30
Assessments Receivable	9,330.66	13,215.84	19,653.24	26,575.83	35,568.19
Trust and Agency Reserves	138,674.31	131,494.81	128,052.44	122,973.76	115,204.13
Subsequent Assessments	11,793.39	10,544.69	10,883.17	35,276.95	55,947.65
	<u>\$ 171,848.26</u>	<u>\$ 168,170.26</u>	<u>\$ 170,700.43</u>	<u>\$ 207,004.73</u>	<u>\$ 231,427.27</u>
<u>Liabilities</u>					
Warrants Outstanding	\$ 6,751.09	\$ 4,680.40	\$ 4,600.15	\$ 4,922.48	\$ 7,245.14
Bonds Payable	44,638.08	42,235.78	43,638.44	86,321.54	118,969.08
Unappropriated Surplus	120,459.07	121,064.08	122,411.84	115,830.71	105,213.05
	<u>\$ 171,848.26</u>	<u>\$ 168,170.26</u>	<u>\$ 170,700.43</u>	<u>\$ 207,004.73</u>	<u>\$ 231,427.27</u>

CITY OF MISSOULA, MONTANA
 INVESTMENT IN FIXED ASSETS
 COMPARATIVE STATEMENT

For the Fiscal Years Ending June 30

	1947	1948	1949	1950	1951	1952
Machinery and Equipment:						
Fire Department	\$ 50,841.09	\$ 29,655.49	\$ 29,655.49	\$ 29,655.49	\$ 29,655.49	\$ 29,655.49
Street Department	16,783.75	13,953.75	13,953.75	13,953.75	13,953.75	13,953.75
City Parks	5,703.82	5,628.82	5,628.82	5,628.82	5,628.82	5,628.82
City Cemetery	11,341.68	4,361.87	4,361.87	4,361.87	4,361.87	4,361.87
City Traffic	5,861.63	5,861.63	5,861.63	5,861.63	5,861.63	5,861.63
Police Automotive	4,706.58	3,176.23	4,343.62	2,364.92	2,364.92	2,364.92
Police Radio	2,490.45	2,126.50	2,126.50	2,126.50	2,126.50	2,126.50
Activian Pool and Bathhouse	1,528.47	1,528.47	1,528.47	1,528.47	1,528.47	1,528.47
City Library Books	55,503.61	54,309.54	51,339.59	47,539.01	47,539.01	44,864.90
County Library Books	24,861.83	23,710.07	22,295.03	20,562.98	20,562.98	19,279.08
City Hall Furniture	4,023.45	3,933.56	3,933.56	3,933.56	3,933.56	3,933.56
Fire Station Furniture	454.55	454.55	454.55	454.55	454.55	454.55
City Library Furniture	13,222.48	12,612.45	10,875.47	10,726.90	10,726.90	10,502.77
County Library Furniture	2,225.82	2,138.09	2,138.09	2,094.75	2,094.75	2,061.75
City Seales	550.00	550.00	550.00	550.00	550.00	550.00
Total	\$ 150,126.92	\$ 144,202.82	\$ 139,637.15	\$ 133,368.90	\$ 130,767.96	\$ 128,890.21
Land:						
Tax Deed Land	\$ 4,362.96	\$ 4,362.96	\$ 4,362.96	\$ 4,362.96	\$ 4,362.96	\$ 4,362.96
City Hall Land	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Fire Station Land	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
City Library Land	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
City Parks Land	96,780.00	96,180.00	96,180.00	96,180.00	96,180.00	96,180.00
City Cemetery Land	10,225.00	10,225.00	10,225.00	10,225.00	10,225.00	10,225.00
City Garbage Dump Land	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total	\$ 151,267.96	\$ 150,767.96	\$ 150,767.96	\$ 150,767.96	\$ 150,767.96	\$ 150,767.96
Structures and Improvements:						
City Hall Building	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
Fire Station Building	3,226.53	3,226.53	3,226.53	3,226.53	3,226.53	3,226.53
City Library Building	26,749.00	26,749.00	26,749.00	26,749.00	26,749.00	26,749.00
City Parks Building	12,767.49	13,288.60	13,288.60	13,288.60	13,288.60	13,288.60
Activian Swimming Pool and Bathhouse	128,900.00	128,900.00	128,900.00	128,900.00	128,900.00	128,900.00
City Cemetery Building	19,928.27	18,164.08	15,202.75	13,802.75	13,802.75	11,850.00
City Streets and Alleys	539,340.00	539,340.00	539,340.00	539,340.00	539,340.00	539,340.00
City Sewers	849,528.45	849,528.45	849,528.45	849,528.45	849,528.45	849,528.45
City Bridge	19,800.00	19,800.00	19,800.00	19,800.00	19,800.00	19,800.00
Sidewalks	117,331.03	117,331.03	117,331.03	117,331.03	117,331.03	117,331.03
West Front Street Retaining Wall	12,200.00	12,200.00	12,200.00	12,200.00	12,200.00	12,200.00
Curbs and Parkings	72,627.05	72,627.05	72,627.05	72,627.05	72,627.05	72,627.05
Total	\$ 1,829,627.55	\$ 1,827,404.21	\$ 1,822,445.21	\$ 1,821,090.46	\$ 1,821,090.46	\$ 1,821,090.46
Trust and Amner Assets:						

Trust and Agency Assets:
 Maintenance District Tools
 Special Lighting District Equipment
 Impvt. District No. 75, Truck Ass't.
 Total

\$ 3,334.45	\$ 3,334.45	\$ 3,334.45	\$ 3,334.45	\$ 3,334.45
9,085.00	9,085.00	9,085.00	9,085.00	9,085.00
2,373.04	2,350.00	2,350.00	2,350.00	2,350.00
<u>\$ 14,788.09</u>	<u>\$ 14,769.45</u>	<u>\$ 14,769.45</u>	<u>\$ 14,769.45</u>	<u>\$ 14,769.45</u>
<u>\$2,155,987.59</u>	<u>\$2,137,144.74</u>	<u>\$2,157,017.77</u>	<u>\$2,117,950.77</u>	<u>\$2,113,308.68</u>

City's Investment in Fixed Assets

CITY OF KANSAS, KANSAS
COMPARATIVE STATEMENT OF REVENUES
FOR THE FISCAL YEARS ENDING JUNE 30

1947	1946	1945	1944	1943
\$ 207,191.94	\$ 185,897.10	\$ 180,884.35	\$ 182,894.47	\$ 187,868.30
\$ 5,407.44	\$ 5,317.98	\$ 5,089.23	\$ 9,067.71	\$ 9,127.47
\$ 4,076.38	\$ 3,848.71	\$ 2,947.58	\$ 3,788.88	\$ 4,428.48
\$ 818,488.77	\$ 183,380.73	\$ 191,840.87	\$ 188,148.78	\$ 200,822.40
\$ 370.78	\$ 830.43	\$ 663.22	\$ 838.74	\$ 470.00
\$ 12,200.62	\$ 12,788.00	\$ 6,162.75	\$ 4,854.55	\$ 4,160.48
\$ 2,780.80	\$ 1,814.00	—	—	\$ 20.80
\$ 10,883.08	\$ 10,101.64	\$ 4,084.01	\$ 5,080.14	\$ 4,830.54
\$ 18,837.05	\$ 9,834.00	\$ 8,780.80	\$ 7,694.00	\$ 7,808.00
\$ 1,875.80	\$ 1,138.80	\$ 1,288.60	\$ 896.00	\$ 1,220.80
\$ 15,882.00	\$ 15,082.00	\$ 16,477.80	\$ 16,828.00	\$ 13,578.00
\$ 1,810.00	\$ 1,080.00	\$ 943.00	\$ 1,200.00	\$ 1,200.00
\$ 2,036.00	\$ 2,724.75	\$ 2,474.00	\$ 2,348.80	\$ 3,108.78
\$ 26,081.55	\$ 31,048.28	\$ 28,066.80	\$ 28,496.80	\$ 28,123.88
\$ 3,300.21	\$ 2,480.02	\$ 1,428.80	\$ 721.71	\$ 328.08
\$ 1,480.88	\$ 828.88	\$ 844.88	\$ 761.15	\$ 723.00
\$ 358.27	\$ 308.27	\$ 242.23	\$ 288.80	\$ 423.04
\$ 1,383.08	\$ 1,360.00	\$ 988.28	\$ 1,088.80	\$ 918.48
\$ 50,828.02	\$ 18,822.84	\$ 24,478.87	\$ 17,678.80	\$ 13,897.21
\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
\$ 6,808.43	\$ 6,868.84	\$ 6,413.03	\$ 6,848.04	\$ 6,483.74
—	\$ 441.48	\$ 328.88	\$ 358.80	\$ 478.40
\$ 28,784.44	\$ 30,848.80	\$ 28,828.88	\$ 29,014.88	\$ 27,861.80

1947	1946	1945	1944	1943
Current (General Levy)				
Delinquent (General Levy)				
Police Taxes				
Total				
Penalties and Interest on General Taxes				
Police Court				
Library				
Other (Auto Parking)				
Total				
Lienses:				
Business				
Dogs				
Beer and Liquor				
Clubs				
Other				
Total				
Beer, Rentals and Collections:				
General				
Streets				
Police Retirement				
Parks				
Comptery				
City Library				
County Library				
City School				
Other				
Total				

Buildings	\$ 1,786.00	\$ 1,507.00	\$ 550.00	\$ 251.00	\$ 255.00
Plumbing	113.25	94.45	75.25	6.75	25.50
Electrical	536.40	278.50	134.45	87.50	102.05
Minor Driving	--	56.50	45.25	51.00	61.00
Other	48.00	39.00	171.00	19.00	77.00
Total	\$ 2,483.65	\$ 1,977.45	\$ 975.95	\$ 417.25	\$ 503.55
All Other General Revenue Collected:					
Concessory Investments Sold	\$ 10,000.00	\$ 3,000.00	--	--	--
Police Investments Sold	--	3,000.00	--	--	--
Proceeds of Bond Sale	--	--	--	--	--
Total	\$ 10,000.00	\$ 6,000.00	--	--	\$ 25,000.00
Special Investment District Receipts:					
From Farms	\$ 57,321.55	\$ 1,312.85	\$ 29,465.04	\$ 34,996.25	\$ 40,276.25
Indebtedness Granted	6,823.98	--	--	--	--
Other * See Schedule I	--	35,547.80	59,859.67	35,891.72	22,752.52
Total	\$ 64,145.53	\$ 36,860.65	\$ 89,324.71	\$ 70,888.01	\$ 83,016.58
Total Receipts	\$ 387,790.74	\$ 315,255.92	\$ 383,821.71	\$ 327,829.25	\$ 376,597.42

Receipts:

Buildings

Plumbing

Electrical

Minor Driving

Other

Total

All Other General Revenue Collected:

Concessory Investments Sold

Police Investments Sold

Proceeds of Bond Sale

Total

Special Investment District Receipts:

From Farms

Indebtedness Granted

Other * See Schedule I

Total

Total Receipts

TABLE I

DETAILS OF SPECIAL FUND RECEIPTS AND PAYMENTS RECEIVED

	1947	1948	1949	1950	1951	1952
Special Improvement District Receipts:						
From Taxes	\$ 37,321.06	\$ 1,312.82	\$ 89,458.04	\$ 34,996.23	\$ 40,276.23	\$ 87.32
From Indebtedness Created	6,523.98					
From Premium on Bonds						
From Interest and Penalties						
From Revolving Fund		2,507.74	6,527.39	8,439.48	11,004.83	
	<u>\$ 43,845.04</u>	<u>\$ 3,820.56</u>	<u>\$ 95,985.43</u>	<u>\$ 43,435.71</u>	<u>\$ 51,281.06</u>	<u>\$ 87.32</u>
Trust and Agency Receipts:						
Flushing		4,735.35	4,610.03	4,809.90	4,799.30	
Galling		4,238.96	3,140.80	1,689.04	3,690.34	
Special Lighting		5,353.58	5,353.83	5,323.59	5,312.80	
Sidewalk and Curb		5,238.51	6,542.48	4,398.59	4,557.83	
Park and Maintenance		13,100.64	12,891.74	11,171.65	11,474.46	
Deposit		340.00	145.00	60.00	75.00	
Victory Tax Deductions				.23	2,089.34	
		<u>\$ 33,010.04</u>	<u>\$ 32,283.28</u>	<u>\$ 27,453.32</u>	<u>\$ 31,648.17</u>	
	<u>\$ 43,845.04</u>	<u>\$ 36,830.62</u>	<u>\$ 68,305.71</u>	<u>\$ 70,889.01</u>	<u>\$ 83,016.85</u>	

Total Expenditures

	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>
Payments:				
Mayor & Council	\$ 11,023.21	\$ 10,651.75	\$ 7,556.82	\$ 8,315.97
City Clerk	3,361.52	2,942.55	2,860.26	2,861.66
City Treasurer	3,562.78	3,240.60	3,031.28	3,151.44
City Engineer	3,812.46	3,169.04	2,531.26	2,455.47
City Attorney	1,915.20	1,727.75	1,660.95	1,664.45
Police Court	2,239.22	2,129.13	2,004.60	2,438.35
Police Department	49,470.72	39,403.08	35,001.59	31,660.21
Fire Department	55,991.19	46,200.53	44,028.97	41,699.12
Health Department	6,152.25	6,069.73	5,993.98	5,600.60
Refunds	14.50	8.00	10.50	9.00
Pensions	6,473.07	4,344.00	3,640.25	1,020.00
City Pound	552.60	200.00	255.00	100.00
City Scales	36.65	15.00	59.95	5.00
Elections	2,759.25	2,265.95	2,145.43	1,060.14
State Examiner	500.00	250.00	250.00	—
Buildings	7,162.22	6,568.21	6,513.22	6,490.86
Building Inspector	1,277.20	1,234.30	656.20	952.64
Street Department	53,478.11	27,323.69	24,750.44	21,728.67
Parks & Playgrounds	14,227.42	10,523.48	10,068.04	10,234.74
Public Band Concerts	2,000.00	2,000.00	2,000.00	1,750.00
Street Lighting	29,001.40	18,898.71	18,522.67	18,723.46
Hydrant Rentals	10,709.28	10,709.28	10,709.28	10,709.28
Cemetery	—	21,722.21	17,106.97	14,602.94
Industrial Accident Insurance	2,123.84	1,664.07	1,561.28	1,200.05
Library				
Library	23,091.79	24,745.42	21,774.64	19,841.79
Traffic Department	3,942.42	1,412.12	797.35	737.93
Bonds Paid	24,500.00	21,500.00	21,500.00	21,500.00
Interest on Bonds	1,723.75	2,062.50	2,441.25	2,800.00
Revolving Fund				
Payments to Spec. Imp. Dist.	359.74		6,567.39	8,428.46
Cemetery Investments			7,000.00	2,000.00
Spec. Imp. Dist. Payments	12,350.00	1,416.14	3,546.77	5,591.73
Other T. & A. Payments	36,000.91	32,150.76	30,669.12	25,294.26
Damages & Judgments	61.50	100.00	93.00	
Civil Service Board	527.80			
Total	<u>\$ 370,088.30</u>	<u>\$ 307,449.82</u>	<u>\$ 297,580.77</u>	<u>\$ 274,163.22</u>
Deduct:				
Payments for Capital Outlay, etc. per Schedule II	\$ 43,244.23	\$ 34,075.97	\$ 33,552.00	\$ 28,777.47
Spec. Imp. Dist. Payments	12,350.00	1,416.14	3,546.77	5,591.73
Trust & Agency Payments	36,000.91	32,150.76	30,669.12	25,294.26
	<u>91,595.14</u>	<u>67,642.87</u>	<u>72,767.89</u>	<u>59,663.46</u>
	<u>\$ 278,493.16</u>	<u>\$ 239,806.95</u>	<u>\$ 224,812.87</u>	<u>\$ 214,499.76</u>

Schedule II
 Expenditures for:
 Investments, Capital Outlay and Bond Payments

<u>1945</u>	<u>1947</u>	<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>
\$ 8,851.41					
2,755.64					
5,194.92					
2,506.95					
1,852.79					
2,045.08					
31,275.15	1,896.60	1,281.61	2,955.70		40.00
46,281.62	1,110.60		40.00	27.05	7,201.39
5,385.77					
10.80					
1,020.00					
250.00					
49.95					
1,137.62					
250.00					
7,538.04	90.00				1,086.35
918.85					
28,245.49	2,800.00				
9,510.10	1,133.80			437.50	
1,780.00					
19,118.34					
10,696.59					
12,614.89	8,744.05	4,981.30	1,352.75		13.95
1,353.07					
		5,189.25	5,831.45	4,875.89	3,051.06
18,252.75	2,970.30	1,174.61	174.12	257.03	136.89
1,544.24					238.70
18,800.00	24,500.00	21,800.00	21,500.00	21,500.00	18,000.00
2,870.00					
11,004.85					
4,000.00			7,000.00	2,000.00	4,000.00
8,188.39					
50,389.54					
<u>\$ 292,302.45</u>	<u>\$ 43,244.25</u>	<u>\$ 34,076.97</u>	<u>\$ 38,552.00</u>	<u>\$ 28,777.47</u>	<u>\$ 53,747.72</u>

\$ 53,747.72
 8,188.39
 30,389.54
\$ 72,305.65

\$ 219,996.80

Analysis of Receipts and Expenditures, 1943-47Exhibits F, G, and H:⁵⁵

The City Clerk's Annual Report includes sections for Receipts--Classified by Source--and Expenditures--Classified by Object. These statements are adequate in most respects. They tell their story in a very clear and simple manner. However, if an attempt is made to correlate the total receipts as reported in the statement with total receipts as reported in Schedules I and II, some difficulty is presented. Exhibit F on the following pages reveals that for the years 1943, 1944, and 1947 there is no correlation between receipts as reported by funds and receipts as reported by source. Exhibit G reveals a lack of correlation between fund payments per Schedule I and Warrants Redeemed per Schedule III for the years 1943, 1944, and 1947. Exhibit H indicates a lack of correlation between Warrants Issued per Schedule III and Expenditures--Classified by Object for the years 1943 and 1945. The City Clerk's Annual Report is extremely difficult to coordinate on this particular point because the warrants issued from each fund are not all included in the schedule--reason undisclosed--and because some payments, e.g., bonds, interest on bonds, advances, and transfers, are made without warrants.

55--See pages 77, 78, 79 for illustrations of these exhibits.

An attempt to find answers to questions raised by the apparent discrepancies in the Annual Reports met with little success. The City Clerk frankly admits that the Annual Report has little meaning for her and that she considers it an accomplishment to get the forms filled out. One may seriously question the value of these reports if the person making them out does not understand them and if the State Examiner's Office takes no notice of apparent discrepancies in them, as they apparently have failed to take notice. Of what value can these reports be to the public? Apparently none. Of what value can they be to the administration? Apparently very little if the accounting officer does not understand them and if the other city officials do not take note of discrepancies, e.g., Miscellaneous Fixed Assets of \$1,631,416.96, Receipts Classified by Source reported as \$339.96 more than shown as received by funds.

ANALYSIS OF RECEIPTS E

1. Receipts Per Schedule I (General—City Fund Accounts)
2. Receipts Per Schedule II (Special Improvement District Funds)
3. Total Receipts

4. Receipts—As Classified by Source in Annual Report (Transfers Incl.)
5. Under or Over** (Per Schedules I and II)
6. Special Improvement District Receipts
7. Trust and Agency Receipts
8. Total Special Improvement District and Trust-Agency Receipts
9. Total General Fund Accounts Receipts

10. Total Over or Under** (Per Schedules I and II).
11. City Fund Accounts Over or Under**
12. Special Improvement District plus Trust and Agency over or Under**
13. Total Combined Over or Under**

*This should have been recorded as a transfer instead of a Special Improvement District
**Indicates red.

NOTES:

- Line 5 = Line 3 minus Line 4.
- Line 9 = Line 4 minus Line 8.
- Line 11 = Line 1 minus Line 9.
- Line 12 = Line 8 minus Line 8.

BY SOURCE AND BY FUND

<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>
\$ 316,625.21	\$ 280,913.06	\$ 264,976.00	\$ 256,756.08	\$ 325,984.23
<u>43,018.68</u>	<u>54,388.86</u>	<u>68,305.71</u>	<u>71,853.88</u>	<u>80,858.88</u>
\$ 359,643.89	\$ 335,301.92	\$ 333,281.71	\$ 328,609.96	\$ 406,843.11
\$ 359,237.94	\$ 315,235.98	\$ 333,281.71	\$ 328,606.85	\$ 376,597.49
<u>269.96**</u>	<u>---</u>	<u>---</u>	<u>2.45**</u>	<u>30,246.63**</u>
<u>---</u>	<u>3,870.88</u>	<u>56,022.45</u>	<u>45,434.68</u>	<u>51,368.38</u>
<u>---</u>	<u>33,010.64</u>	<u>32,283.88</u>	<u>28,290.98</u>	<u>31,648.17</u>
<u>43,845.53</u>	<u>36,880.82</u>	<u>68,305.71</u>	<u>71,715.61</u>	<u>83,016.85</u>
<u>315,392.41</u>	<u>278,355.30</u>	<u>264,976.00</u>	<u>256,871.22</u>	<u>293,580.24</u>
1,232.80**	2,557.76**	None	245.20	32,403.89**
<u>832.84</u>	<u>2,557.76</u>	None	<u>247.65**</u>	<u>2,156.66</u>
<u>399.96**</u>	<u>None</u>	None	<u>2.45**</u>	<u>30,246.63**</u>

at Receipt. Receipts classified by source are in error.

OFFICE OF THE COMPTROLLER
GENERAL ACCOUNTS SECTION

General

<u>1943:</u>		
	Treasurer's Disbursements (Schedule I)	\$ 171,904.40
	Warrants Redeemed (Schedule II)	<u>142,654.40</u>
	Difference	\$ 29,250.00
<u>1944:</u>		
	Treasurer's Disbursements (Schedule I)	\$ 139,561.88
	Warrants Redeemed (Schedule II)	<u>139,561.88</u>
	Difference	—
<u>1945:</u>		
	Treasurer's Disbursements (Schedule I)	\$ 148,744.00
	Warrants Redeemed (Schedule II)	<u>148,744.00</u>
	Difference	—
<u>1946:</u>		
	Treasurer's Disbursements (Schedule I)	\$ 155,422.05
	Warrants Redeemed (Schedule II)	<u>155,422.05</u>
	Difference	—
<u>1947:</u>		
	Treasurer's Disbursements (Schedule I)	\$ 184,745.98
	Warrants Redeemed (Schedule II)	<u>184,745.98</u>
	Difference	—

Indicates more redemption than disbursed.

Indicates red.

* Transfer—Journal entry, no warrant issued.

* Cancelled warrant

INETS (SCHEDULE I)
D (SCHEDULE II)

Road	Cometary	City Library	Park	Band	Police Retirement
\$ 28,273.21 <u>28,273.21</u>	\$ 15,775.81 <u>15,775.81</u>	\$ 17,830.55 <u>17,598.45</u> 232.10	\$ 9,380.01 <u>9,380.01</u>	\$ 1,750.00 <u>1,750.00</u>	\$ 1,020.00 <u>1,020.00</u>
\$ 23,506.76 <u>22,678.18</u> 827.60	\$ 16,539.87 <u>16,539.87</u>	\$ 20,047.44 <u>20,047.44</u>	\$ 10,864.04 <u>10,864.04</u>	\$ 1,750.00 <u>1,750.00</u>	\$ 1,020.00 <u>1,020.00</u>
\$ 24,846.14 <u>24,846.14</u>	\$ 24,222.02 <u>24,222.02</u>	\$ 20,870.18 <u>20,870.18</u>	\$ 9,901.02 <u>9,901.02</u>	\$ 2,000.00	\$ 3,563.55 <u>3,563.55</u>
\$ 25,618.67 <u>25,618.67</u>	\$ 21,085.21 <u>21,085.21</u>	\$ 24,686.46 <u>24,686.46</u>	\$ 10,653.19 <u>10,653.19</u>	\$ 1,267.98 <u>1,267.98</u>	\$ 4,344.00 <u>4,344.00</u>
\$ 36,882.04 <u>36,882.04</u>	\$ 29,715.60 <u>29,215.60</u> 500.00	\$ 25,688.07 <u>25,705.57</u> 42.50	\$ 14,046.57 <u>13,599.37</u> 447.20	\$ 1,970.09 <u>1,970.09</u>	\$ 5,374.69 <u>5,374.69</u>

**CATALOG OF WARRANTS
CLASSIFIED**

Total Expenditures

City warrants issued

Special Improvement District Warrants Issued

Bonds Paid

Interest on Bonds

Investments

Revolving Fund Payments

T & A Payments without Warrants

Special Improvement District Interest on Bonds and Advances

Total

Difference Unaccounted for

FRANCIS IRELAND WITH KENNEDY TRUNKS
 ASSISTED BY ONE OF

1843	1844	1845	1846	1847
\$ 398,302.48 \$ 230,402.22 28,478.23 18,000.00 2,970.00 11,004.83 3,893.21 8,188.32 \$ 290,838.08 1,687.38	\$ 274,163.22 \$ 110,888.77 21,448.34 21,800.00 2,800.00 8,428.46 3,847.88 8,801.73 \$ 274,163.22	\$ 297,878.23 22,970.22 21,800.00 2,441.28 8,587.28 7,888.91 3,648.77 \$ 297,878.23 1,981.00	\$ 307,449.82 \$ 280,300.41 28,483.78 21,800.00 3,082.50 8,866.99 1,418.14 \$ 307,449.82	\$ 370,088.50 \$ 296,813.64 22,827.48 24,800.00 1,723.78 18,113.42 \$ 370,088.50

Popular Reports:

An effective way to present accounting information to the public is the popular report. This may consist of written matter using word pictures, written matter supported by pictures (drawings), or graphs. In any of these forms the object is to present, in the clearest possible manner, the accounting message. Taxpayers can readily see the importance of the various city functions supported by their tax dollars when the use of those dollars is presented in a graph. One effective type of graph shows the various amounts depicted as stacks of dollars. Stacks of varying heights would represent functions carried on by the city, e.g., fire protection, police protection, city management, etc. Underneath the stacks would be noted the exact dollar amounts expended. Another useful form is the circle, segmented and showing percentages--either of the tax dollar or of the total collection--that have been expended on various functions. This type of report would be an excellent message to send out with the tax statements.

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Summary:

This problem of statements seems to be one that should be handled by the state. As outlined above, the reports currently required by the state serve a very limited purpose and their effectiveness is open to question. They are confusing, have little meaning to those who work with them, and are not complete, in that their various parts do not correlate. Much of the confusion in the City Clerk's Office could be avoided if a manual of accounting instruction were available. This manual should be comprehensive enough to illustrate every foreseeable accounting transaction, the method of entry, and the effect it has on the statements. Forms should be made available to all city clerks that would enable them to readily prepare a variety of statements tailored to meet changing demands instead of the single statement now required. Further the State Examiner's Office should assume the initiative in modernizing the entire municipal accounting set-up so as to bring it in line with accepted standards of municipal accounting.

CHAPTER VI

Conclusions

Some of the characteristics that should be inherent in an accounting system are set forth in the foreword to the pamphlet, "Uniform System of Accounts For the City Clerk's Office as Prescribed by the State Examiner--Montana."⁵⁶ This paper has attempted to reveal certain inadequacies of the present accounting system wherein the high ideals set forth in the foreword mentioned above are not attained. For example, the foreword states that, "it is no longer sufficient for the accounts to show merely the amount of revenue collected and the amount disbursed as such meager accounts are of very little value to the administrating officials." It is the opinion of the writer that the accounts, as they now stand, show very little more than receipts and disbursements. Further, the foreword states that, "the accounts must show a complete detailed account of all the various resources and liabilities of the business, together with sufficient operation and reserve accounts to show the entire activities of the business." The precise definition of "a complete detailed account" may be subject to interpretation. However, even assuming a very liberal interpretation of the term, it may be questioned that the accounts of the City of Missoula meet this requirement of an adequate accounting system.

56--The complete context of this foreword is presented on page 1.

Rather, as was pointed out in the chapter on fixed assets, the system fails to meet this requirement in almost every respect.

In respect to the provision of internal checks and safeguards the writer feels that the present system of accounts is adequate except in the case of fixed assets. In addition, it is felt that a desirable degree of simplicity has been attained, but that this simplicity could be retained or perhaps strengthened by adhering to accepted standards and by the use of manuals.

The system does not, in the opinion of the writer, provide the comparative data considered essential to efficient administration. That is, it does not provide such data in useable form although the information to prepare the data is contained in the accounts. Utilization of this information may be attained by the incorporation of additional reports and statements.⁵⁷

Following are set forth in summary form the specific recommendations embodied in the context of this paper which may be put into effect by the city clerk immediately, if desired.

(1) A manual of instructions in the use of the accounting system should be provided every city clerk. The logical source of such a manual is the State Examiner's Office because this office could and should make a manual available to all city clerks in Montana. However, if the State Examiner

fails to provide a manual, it would be wise to make one up in the City Clerk's Office.⁵⁸

(2) Provide "Surplus" or "Fund Balance" accounts for all funds.

(3) Segregate fixed assets from the fund accounts.⁶⁰

(4) Provide controlling accounts for fixed assets.⁶¹

(5) Provide detailed subsidiary records for fixed assets.⁶² In addition to the above recommendations, the following are desirable but would require action by the city council or state examiner.

(6) Investigate the possibility of annual audits by independent accountants.⁶³

(7) Revise forms used in the clerk's office to achieve greater efficiency and economy.⁶⁴

(8) Revise or extend reporting techniques to provide more informative reports.⁶⁵

58--Page 8.

59--Page 13.

60--Pages 16 to 29 inclusive.

61--Page 21.

62--Pages 22 to 26 inclusive.

63--Chapter IV.

64--Pages 38 to 43 inclusive.

65--Chapter V.

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