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Municipal Budgets *

BY J. PERCY GODDARD

Have you ever considered how much easier it is to spend money than it is to earn it? We can think any time of a thousand things for which we should like to spend money and for which it would be very proper and appropriate to spend it, if only we had the money to spend. Now imagine you had placed in your hands a million dollars of some one's money to spend. Would you be likely to be just as careful about its disbursement as you would about the money you had worked hard to earn? The records show that men are not as careful in spending other people's money as in spending their own. The income of Salt Lake county last year was roughly a million and a half, of Salt Lake City, three million, of Salt Lake City school district, two million, and of the other cities and school districts in this county over a million more. Thus, excluding state expenditures, about eight million dollars of the people's money is expended annually by public officers in this county alone.

Another important thought is: A man who has never had a large amount of money of his own can hardly comprehend that he can spend a million or even a hundred thousand dollars. He accordingly begins the task with a very free and liberal hand and is later quite surprised when he finds the money gone all too soon. This statement has been demonstrated in the record of several of our bonded road projects. The same principle explains the fact that most of us are much more liberal in our expenditures just after pay-day than during the last few days of the month. Collectors understand this fact and most wives also know that it is easier to obtain money just after pay-day.

The ease with which we discover ways of spending money, especially other people's money, and our tendency to spend freely to the neglect of future requirements make municipal budgets a vital necessity if public finances are to be wisely and economically handled. The wise man seeks to anticipate his financial needs for his fiscal period, from pay-day to pay-day, and sets down the financial demands that are likely to be made upon him, as well as

*A paper presented before the Utah Taxpayers' Association at Salt Lake City, Utah.

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the income which he may expect to receive; and he then seeks to apportion his funds so as to enable him to meet the most important and most urgent of these demands. This setting down of estimated income and expense constitutes the making of a budget. A budget is simply a financial programme.

Incidentally let me cite you good scriptural authority for a budget. In Luke, the fourteenth chapter, verses 28 to 30 we read: "For which of you, intending to build a tower, sitteth not down first and counteth the cost, whether he have sufficient to finish it? Lest haply, after he hath laid the foundation, and is not able to finish it, all that behold it begin to mock him, saying, this man began to build and was not able to finish." Probably most of us know where there are some unfinished municipal towers.

In a great many cases public improvements which were not adequately financed have been completed, but only by the creation of large and burdensome deficits which constitute unauthorized indebtedness.

Let us all have in mind that a budget is a very simple thing—that there is nothing mysterious about it. It consists simply of setting down in as great detail as practicable the estimated revenues and expenses of the next fiscal period. These estimates must, of course, be based largely upon records of previous periods, and here we often meet serious difficulty, in that many of our municipalities have been keeping very inadequate accounts. In fact the conditions that have been revealed by some of the audits of our counties and cities during the past two years have been not only astounding but positively disgraceful.

For the present let me confine myself to the relationship between the accounts and the budget. If you cannot secure from the accounts a trustworthy and well-classified list of receipts and disbursements covering previous years, upon what are you to base future estimates? Even in these matters many of our municipal accounts are far short of what they should be. For example, in two counties all salaries for all departments were thrown into one account and all supplies, stationery, printing and postage for all departments were in one account. Such accounts are, naturally, of little assistance in the making of budget estimates. Taxpayers are entitled to know in much detail the purposes for which funds are asked and for which moneys have been spent. As a preliminary to the fixing of budget appropriations it is desirable that department heads should hand in estimates of

the operating costs of their various departments. My subject was announced as "analyzing a budget," but in most of our municipalities there is no budget to analyze, or if there is such a thing, the headings are so general and indefinite that it is almost valueless either as a basis of judging the fairness of the estimate or for the regulation of future expenditures.

The budget should follow the same classification as the receipt and disbursement accounts. Receipts and disbursements of our counties and cities should be classified by departments and within departments should be segregated in much detail. Improvements to be made on public roads should be segregated by roads or sections of roads in the budget. Salary items should be accompanied by schedules of the salaries to be paid. Uncertain revenue items should be, as far as possible, excluded from budget estimates. Deduction should be made from the tax levy for uncollectible taxes. The present deficits of some of our municipalities are due to their having spent taxes assessed but not collectible.

Probably the greatest defect in the usual method of arriving at budget appropriations is the tendency to be governed too slavishly by the expenditures of the previous year. A too close following of this policy encourages extravagance, as department heads feel that if they economize, their next budget will be cut and they will probably not be able to get an increase when needed. They should be encouraged to anticipate as fully as possible the ensuing year's needs, setting them down in detail. They should feel that this kind of estimate will receive primary, and their past expenditures secondary, consideration.

In analyzing expenditures as a basis of budget requirements, one should inquire particularly into items covered by such indefinite titles as "sundry" and "miscellaneous." For example, in one county's report for last year under the classification of "statutory and general" will be found these headings which are not sufficiently explanatory: "miscellaneous supplies," "miscellaneous refunds," and "damages, claims and special fees." Often items under such headings are exceptional and cannot be expected to recur. As a basis of estimating budget requirements it is far better to have at hand, in comparative form, statements of receipts and expenditures of two or three years, rather than for just the one previous year, as there are often exceptional items entering into the accounts of any one year.

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In making up the budget of a school district one should have before him the expenditures of the previous two or three years classified by individual schools, as teachers' salaries, school supplies, building repairs, etc., cannot be satisfactorily estimated for the district taken as a whole.

In analyzing a budget, one should inquire into the urgency of the need for new furniture and equipment called for by certain offices. If new automobiles are called for the need for them should be investigated, and where automobiles are already in use the cost of operating them. One should examine carefully estimated salary requirements. There are many offices which could dispense with some assistants if all employees worked as steadily as they would if employed in private business, and especially if the head of the office felt obligated really to earn his salary.

Where a budget has been adopted, say by a county, commissioners and heads of departments should be furnished monthly, by the auditor, with a statement showing the various budget appropriations, the amounts and percentages expended to date, and the balances unexpended, as a means of keeping annual expenditures within the appropriations. This perhaps raises the question as to what way there may be of compelling expenditures to be kept within budget appropriations. In our state we have no budget legislation. Those counties, cities and school districts that adopt budgets do so voluntarily, and it rests wholly with them as to whether or not they regulate their expenditures thereby. Some of us are very thoroughly convinced that we should use our influence to have our legislature pass an effective budget law. However, in the meantime it is far better that our municipalities should have before them a budget or financial plan to work toward than that they should set about spending public money without plan or programme.

Opposition is sometimes voiced to the budget on the grounds that its adoption would create additional expense, but there need be almost no additional work or expense in keeping accounts under a budget system.

In conclusion let me say a word for independent audits by certified public accountants. I say by certified public accountants because, due to their training and wide experience, they are able to make constructive recommendations and criticisms. Some of the reports on so-called audits made by local book-

keepers and filed with the state auditor indicate that the auditor knew less about municipal accounts than did the officers whose accounts were audited. One of the most frequent and outstanding benefits derived through audits by experienced accountants is the adoption of modern accounting methods, which as compared with old methods furnish more information and greater safeguards with a minimum of cost and effort.

Proper audits result in more painstaking and accurate record keeping, as bookkeepers who know that their records are to be scrutinized by accountants have an incentive to do their best work.

Confidence in public officers is sustained and strengthened by means of periodic audits.

The minds of administrative officers are put at ease by the assurance that the accounts of moneys handled under their supervision are being correctly and honestly kept. I have known cases in which careless and loose methods have caused suspicion to rest on men whose motives were thoroughly honorable.

Every person who carries the responsibility of accounting for public funds is entitled to such an independent audit of his accounts as will assure the public that he has faithfully discharged his trust. Experienced accountants can do much to encourage the adoption of budgets.