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PROGRAM FOR TAX STUDY CLUBS

X. FINANCIAL CONTROL

A. Outline

1. Revenue:
 - Property and poll taxes per original abstract.
 - Taxes on unlisted taxables:
 - Public service corporations.
 - Corporation excess.
 - Building and loan associations and banks.
 - Subsequent charges and credits.
 - Receipts from tax sales and redemptions.
 - Dog taxes.
 - License and privilege taxes.
 - Fees.
 - Fines.
 - Miscellaneous receipts.
2. Accounting:
 - Books of original entry.
 - Cash book.
 - Ledger.
 - Control accounting.
 - Audit.
3. Disbursements:
 - Claim presented.
 - Examined by whom.
 - Passed by board.
 - Voucher drawn by whom.
 - Manner of payment.
 - Function of treasurer.
4. Record of Disbursements:
 - Voucher stubs.
 - Voucher record.
 - Cashed vouchers filed.
 - Classification of disbursements.
5. Control of expenditures:
 - Are commissioners guided by:
 - Budget?
 - Income?
 - Amount of indebtedness?
 - Bank balance?
6. Reporting:
 - Daily or weekly balance sheet.
 - Published monthly reports.
 - Annual exhibit:
 - Simple.
 - Comparative.
 - Graphic.
 - Comprehensive.
 - Comparison with other counties.
 - State reports.
 - Publication of auditor's comments.

B. Explanation

Without doubt the greatest deficiency in the operation of county government is the clumsy and insufficient bookkeeping so generally found. Most county officials are honest, and they set out in all sincerity to keep a faithful record of business done, but usually they have no knowledge of bookkeeping and are not equal to the task. They attempt to get along with a cash book and the same single-entry method by which they have kept their personal accounts. With the manifold funds, accounts, and complicated transactions of county business they soon get hopelessly confused. Many honest men have completed their terms with big shortages which they cannot explain, while, on the other hand, a dishonest official may be undetected for lack of systematic bookkeeping.

A Minimum Requirement

North Carolina counties are spending on the average nearly \$400,000 a year, and it is an amazing thing that the taxpayers will permit public funds of that proportion to be spent without any adequate accounting therefor. No corporation doing a business of \$100,000 a year would think of operating without a bookkeeper. Yet most counties have been content to do so. A competent bookkeeper and a centralized system of financial control is a minimum requirement in any well organized government.

Keep Separate Accounts

A county derives its revenue from many sources. Each ought to be kept distinct and properly controlled. In a certain county the auditor found the tax list gave one total, the tax receipt book another total, and the collections plus insolvents still a third total. Why the discrepancy?

Every receipt and every disbursement should be analyzed and recorded in its proper account. A double-entry system of bookkeeping requires a debit entry for every credit entry. It thus furnishes an analysis of every transaction, checks the mathematical accuracy

of the books, and sets forth at all times the financial condition of each account and of the county as a whole. Control accounts can be carried in the ledger in place of detailed accounts whenever the volume of transactions warrants it.

A big expense in most counties is the annual, or periodic, audit by a public accountant. If the books are in balance the audit can be completed in a few days and is comparatively inexpensive. If the books are in a tangled and unintelligible condition the audit may require weeks and cost hundreds, or even thousands, of dollars.

It is the duty of the county commissioners to pass upon all claims before payment is made, but since the commissioners meet only one day a month, and then have numerous other matters to claim their attention, it is easy to see that the audit of claims must be very hastily done. It amounts to no more than a rapid review of expenditures for the past month.

Budget Plan Rare

Only a few counties operate under a budget system. In most counties the commissioners try to maintain a fair equilibrium between income and appropriations, but not infrequently they close the year with a deficit. It is hardly correct to say "close the year", for more often the accrual system is in use and as soon as taxes begin to come in they are used to pay the previous year's bills.

Last week something was said about the value of an annual report to the taxpayers. It is only necessary to repeat here that this report should be comprehensive, yet simple. It may be made more intelligible if shown graphically and in comparison with the report of the previous year, or with reports of other counties. Theoretically financial control in a county rests with the commissioners, but without a responsible agent to act for them between meetings, without a budget, and without a thorough and comprehensive system of accounts and records to guide them, there can be no real control.

C. Questions

Does your county have an auditor? Who keeps the books of financial record?

Is there a double-entry system of bookkeeping in use?

Can the county officials give the exact indebtedness of the county?

Is the sinking fund to retire bonded debt faithfully provided for?

Is there a bond book?

Is there a classified record of disbursements?

Who acts as treasurer or financial agent? Is he competent?

Are the treasurer's books always in balance?

Can the sheriff, or tax collector, give you the amount of taxes collected and outstanding?

Is there a full record kept of fees collected?

Is there a full record kept of fines collected? Do Justices of Peace make regular reports?

Are vouchers drawn monthly, or at any time? Who writes them? Who signs them?

Does the county operate under a budget system?

Does it live within its income? Does it keep each year's taxes separate?

Is there an annual audit? How much does it cost? Are the auditor's comments ever published?

Can any citizen secure accurate information relative to county finances at any time?

Is there an annual financial statement that is intelligible?

Is there any more, or any less, control over the school fund and the highway fund than over the general county fund?

D. Sources of Information

The financial record of the county. Interviews with the county officers. Interview with a public accountant. Examination of the books of a well-governed city.—Paul W. Wager.

COUNTY GOVERNMENT

For several weeks the News Letter has been running a series of outlines for local tax study clubs. These out-

KNOW NORTH CAROLINA Second in The South

The library of the University of North Carolina with 137,982 bound volumes was the second-largest college library in the entire South in 1924 according to a recent report of the federal Bureau of Education. The University of Texas, with two and one-half times as many students is the only Southern college with a larger library than ours. The library of the University of Texas contained 255,011 bound volumes. In bound volumes per student we rank ahead of Texas.

Of the 105 state-supported colleges and universities in the United States, only fifteen have more bound volumes in their libraries than the University of North Carolina has. Cornell University ranks first with 710,675 volumes, followed by the University of California with 635,000 volumes.

lines have dealt largely with county government. Below is a brief outline of an address on Improved County Government delivered by Prof. E. C. Branson before the State Association of County Commissioners at Blowing Rock, August the thirteenth. It is probable that the address will be printed in full in pamphlet form at a later date. Meanwhile the outline can be used as a guide to students of local government in North Carolina, and in other states.

Outline of Address

1. Fundamental importance, in the State and the Nation, and the rising tide of public concern.

2. Inherent weakness and common cause of failure in County Government everywhere: The lack of organic unity under definite, responsible executive headship; abundant county government laws already on our statute books but it is nobody's business to see that these laws are enforced, in consequence of which every county official is a law unto himself. County Government at present in almost every State of the Union is headless, lawless, inefficient and wasteful almost beyond belief, with notable exceptions—some of them in North Carolina. Illustrations and instances.

Remedial Suggestions

3. Remedy. It lies (1) in definite, executive headship by whatever name called, as county manager in Alamance or auditor in Edgecombe, New Hanover, and another county or two—this executive officer to be chosen by the county commissioners; (2) in unity on the basis of executive county budgets, centralized fiscal control and simplified uniform public accounting for and reporting upon all public moneys handled, as in Ohio, Indiana and a few other states. Which essential reforms in state finance are all taking place in Governor McLean's administration. The same reforms in public finance must be set up in the handling of all public moneys in the counties of the state. Signs of organized graft are very rare in North Carolina; they are very common in the Middle West according to Herbert Quick. The trouble in North Carolina does not lie in dishonesty but in unbusinesslikeness, unsupervised methods and almost inevitable waste in county court house offices. Our main trouble lies in the lack of authoritative supervision and friendly direction.

County Government Law

4. The chances are that we need a General County Government Law patterned after our municipal government law, based on a classification of counties according to population and taxable wealth; and a choice of certain forms of government by the counties in each class, all the forms of government offered holding county officials to strict business methods of handling public moneys; a law granting local autonomy in all minor matters of legislation under general State law, thus removing from the Legislature the endless details of Public-Local laws in County Affairs.

Manuals of Instruction

5. Also we need Manuals of Instructions for county officers and the annual

RURAL ELECTRIC POWER

IX. STEAM AND INTERNAL COMBUSTION ENGINES COMPARED

In connection with the production of power from fuel, it remains to compare steam engines with internal combustion engines. It has been pointed out that small internal combustion engines working on the Otto cycle and using gasoline and high-grade kerosene are suitable for small powers only. They are therefore left out of this comparison. For the generation of electricity, engines capable of utilizing efficiently the lowest-grade oils will be considered in comparison with steam plants. Such engines are the Diesel and semi Diesel engines.

Advantages of Each

Steam is still the most familiar and reliable source of power. From the standpoint of operation, the steam engine and turbine have the following advantages over the internal combustion engine:

- a. Smoother running because of the absence of explosive forces.
- b. Greater certainty of adequate lubrication.
- c. Less subject to interruption of service, because of greater simplicity of mechanism, and because of (a) and (b), with resultant longer life.
- d. Greater overload capacity and, therefore, smaller-size engines may be installed.

Operating advantages for the internal combustion engine are as follows:

- (a) Requires less attendance, due to elimination of coal and ash handling and other boiler-room labor.
- (b) Freedom from troubles arising in the boiler room.

Cost Items Compared

The items that enter into the total cost of power may be compared as follows:

auditing of county accounts by public accountants representing the State, as in South Carolina—competent public accountants who examine county accounts as bank examiners examine the business of the state banks, but with even greater fidelity and competency, not State spies but State officials offering direction, friendly counsel and advice and wherever necessary complete audits of county accounts—a service paid for by the counties as our banks pay for bank examinations; a state-wide service centering in the office of the State Auditor.

State Guidance

6. State guidance, direction and supervision in county matters directly related to State authority; thus the magistrates, constables and sheriffs, as law and order officers, county court clerks, county recorder court officers ought to be related directly to the Attorney-General of the State, whose office ought to be expanded into a State Department of Justice functioned and staffed for immensely greater uses to North Carolina; State moneys locally collected or disbursed locally by county officers ought to be accounted for and audited competently by the various departments of the State in Raleigh. State school moneys loaned or dispensed would thus naturally be under the authority and auditing officers of the State Superintendent of Public Instruction. Thus the county officers handling confederate pension money would be related to the State Auditor's office in ways of supervision and auditing.

7. Suggestions. A County Government Commission appointed by the Governor, as recommended by the State Association of County Commissioners.

8. Research studies in County Government under the Institute for Research at the University of North Carolina; the purposes and ends of such studies. The three County Government Research Fellows now at work, the county surveys already made and the program of county studies during the next two years.

DAIRY COWS BRING WEALTH

The following clipping from an article recently published in the Durham Herald is worth reading carefully. On the basis of dairy cows per farm, North Carolina is at the bottom among the states of the Union. Dairy

(a) The first cost of a steam power plant using reciprocating engines is greater than that of a semi-Diesel engine plant and less than that of a Diesel engine plant. With steam turbines the cost is less than that of either Diesel type or engine.

(b) Depreciation, maintenance, and repairs are higher for oil engines than for steam engines or turbines.

(c) Labor costs are less with oil engines than with steam engines or turbines.

(d) While the oil engine plant is more efficient in utilizing the heat energy in fuel, the cost of oil compared with the cost of coal may be so high that total fuel cost in the steam plant may be less than in the oil plant. Other factors to be considered are that the supply of oil is not as reliable as that of coal and that oil prices are subject to greater fluctuation.

Because of their lower first cost and greater reliability, steam engines and turbines have been found to be the more suitable for the generation of electricity, although internal combustion engines, particularly the Diesel types, are receiving increasing attention.

The variability of the economic factors enumerated above shows that the decision in any particular case depends upon weighing these factors as they apply to that particular case. It has previously been shown, for example, that saving in fuel cost does not always mean saving in total cost. The saving in fuel cost must more than offset the fixed charges on the additional capital invested, or the expenditure for high efficiency equipment is not justified. This is likely to be the case where fuel is cheap.—E. G. Hoefler.

cows bring diversity in agriculture and prosperity to farmers. Milk, the most valuable of all foods, is never tasted on one hundred thousand farms in North Carolina, tenant farms for the most part.

An idea of what the dairy cow has done for prosperity may be gained by a few specific instances. Some generations ago Denmark was poverty-stricken. Her soils were depleted, her people poor. Then came the dairy cow. Today Denmark is the richest country per capita in the world. The cow did it.

In our own country two generations ago, Wisconsin was bankrupt. The dairy cow was brought to this state, and today Wisconsin is the most prosperous commonwealth in the United States, the greatest dairy state in the Union. Her farms are covered with fine fields of alfalfa, corn, and clover. Silos, beautiful homes, and well equipped farms abound everywhere. Her farmers are prosperous and contented. During the 1920 slump, Wisconsin sent \$50,000,000 to the Federal Loan Bank of Chicago. In the last twenty years Wisconsin has not had a bank failure attributed to business causes.

I will give you another outstanding example of the value of the dairy cow. It is Steele county, Minnesota. Crops had failed. The soil was depleted. Conditions grew worse until the bankers had a better claim to the land than the man who lived on it. One day a farmer tried to borrow some money. He wanted to buy dairy cows. The banker demurred, but finally let the farmer have the money. The cows were purchased. The loan was soon paid. The soil began to improve. Then another farmer did the same thing and still more farmers. Three years ago I learned of the prosperity that came to this the smallest county in Minnesota, having an area of only 432 square miles and a population of 18,060. Their bank deposits were about \$400 per capita. They had 18,000 cows on 800 farms, or twenty-two cows for each farm, one cow for each inhabitant, and these cows produced 6,000,000 pounds of butter annually. This butter brought into the county \$2,500,000 or an average of almost \$140 for each man, woman, and child. Their bank deposits had reached \$7,000,000 and increased at the rate of more than a quarter of a million dollars each year for eight years.

The dairy cow always brings diversification, and in this year to which I refer the production was 187,000 bushels of potatoes; 56,000 tons of hay; 95,000 bushels of barley; 1,776,000 bushels of corn; 260,000 bushels of spring wheat; 1,870 bushels of oats; 55,000 cows; 401,987 chickens; and 861,359 dozens of eggs. These are the figures from the county that a few years ago was financially bankrupt. The dairy cow did it all.