

THE UNIVERSITY OF ARIZONA

STORES DEPARTMENT

REPORT OF EXAMINATION

JULY 1, 1969 TO JUNE 30, 1970

Report No. 172

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for the Arizona Board of Regents

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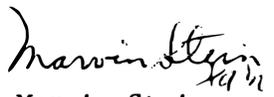
THE UNIVERSITY OF ARIZONA

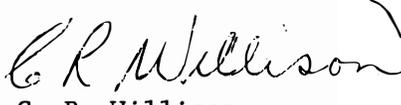
STORES DEPARTMENT

REPORT OF EXAMINATION

To the Arizona Board of Regents:

The report covering our examination of the accounts of the Stores Department of the University of Arizona for the fiscal year ended June 30, 1970 is presented herewith.


Marvin Stein
General Examiner

Respectfully submitted,

C. R. Willison
Examiner

January 2, 1971

THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
REPORT OF EXAMINATION
JULY 1, 1969 TO JUNE 30, 1970

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THE UNIVERSITY OF ARIZONA
STORES DEPARTMENT
REPORT OF EXAMINATION
JULY 1, 1969 TO JUNE 30, 1970

FINANCIAL SUMMARY

The Stores Department had net earnings for the fiscal year ended June 30, 1970 of \$1,674 (0.2% of sales). This compares with a net loss of \$8,808 (0.9% of sales) for the fiscal year ended June 30, 1969.

COMMENTS ON OPERATING RESULTS (EXHIBIT A)

Exhibit A shows the income and expenses of the Stores Department for the years 1969-70 and 1968-69.

Net sales \$1,142,153

Net sales in 1969-70 were \$168,677 more than in 1968-69. This is an increase of 17.3% over 1968-69. (Sales in 1968-69 increased 11.7% over 1967-68.)

The following table summarized by sales categories compares the fiscal years 1969-70 and 1968-69.

	<u>Markup Percentage</u>	<u>1969-70</u>	<u>1968-69</u>	<u>Increase (Decrease)</u>
Office Supplies	15%	\$ 270,875		
General Supplies	15%	139,747		
Janitorial	15%	116,317		
Furniture	10%	45,455		
Supt. of Documents	None	4,526		
Animal Food	15%	<u>3,824</u>		
Total General Supplies	10%-15%	580,744	\$ 520,455	\$ 60,289
Chemicals and Glassware	15%	183,305	143,278	40,027
Commercial Gases	15%	39,414	42,073	(2,659)
Electronics	15%	16,129	(1) -	16,129
Photographic	15%	22,241	(1) -	22,241
Chemicals Special Orders	None	76,676	58,647	18,029
General Supplies Special Orders	None	210,609	197,473	13,136
Rental Typewriters		5,522	4,988	534
Demurrage		<u>7,513</u>	<u>6,562</u>	<u>951</u>
 Total Sales		 <u>\$1,142,153</u>	 <u>\$ 973,476</u>	 <u>\$ 168,677</u>

(1) These items were handled as special orders in 1968-69.

The Stores Department has for the past four years purchased items, not normally stock, for various University departments. These items are billed to the departments at no markup. This procedure has resulted in time and cost savings for the University. Special orders in 1969-70 amounted to \$287,285, or 25.2% of total sales. In 1968-69, 26.3% or \$256,156 of the total sales was in this special order category.

The cost of this service is, in a small part, covered by cash discounts allowed by vendors and the balance is absorbed by the other sales markup of 10% and 15% over cost.

Gross margin on sales \$129,863

The gross margin in 1969-70 was 11.4% of sales compared to 10.5% of sales in 1968-69.

In 1968-69 markup percentages on certain fast-moving items were reduced. This reduction had a greater effect on the gross margin than was planned. A review of these decreases was made and original markups were restored midway in the fiscal year 1969-70.

Total operating expenses \$128,313

Total operating expenses increased \$16,005; however, as a percent of net sales a decrease of .3% occurred. Salaries, wages and related payroll taxes increased \$19,764 reflecting merit increases and additional personnel to handle the increased sales volume. All other expenses combined decreased \$3,759.

Miscellaneous income \$124

The Stores Department share of patronage refunds of \$124 in 1969-70 was much smaller than the \$841 received in 1968-69.

COMMENTS ON THE BALANCE SHEET (EXHIBIT B)

Accounts receivable \$118,188

The accounts receivable at June 30, 1970 was \$52,664 more than at June 30, 1969. As of the audit date all of the accounts had been collected.

Inventory of merchandise \$297,935

The inventory at June 30, 1970 increased \$5,942 over June 30, 1969. The General Examiner's personnel did not observe the annual physical inventory at June 30, 1970. The accounting firm, Ernst & Ernst assumed this inventory observation function.

Cash advance from Business Office

\$274,623

At June 30, 1970, the Stores Department owed the University Business Office \$274,623 for cash advanced to finance the inventory of merchandise and accounts receivable. This is an increase of \$42,252 over June 30, 1969 explained as follows:

Increased Accounts Receivable	\$ 52,664	
Increased Inventory	<u>5,942</u>	
<u>Total Cash Decreased</u>		\$ 58,606
Increased Accounts Payable	\$ 14,680	
Net Income	<u>1,674</u>	
<u>Total Cash Increased</u>		<u>\$ 16,354</u>
Net Increase of Cash Advanced		<u><u>\$ 42,252</u></u>

Fund Balance

\$ 70,646

The fund balance of the Stores Department increased \$1,674 in 1969-70 and the above amount shows the accumulated net earnings at June 30, 1970.

EXHIBIT A

THE UNIVERSITY OF ARIZONA

STORES DEPARTMENT

STATEMENT OF INCOME AND EXPENSES

FOR THE YEARS ENDED JUNE 30, 1970 AND 1969

	1969-70		1968-69		Amount Increase (Decrease)
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	
NET SALES	<u>\$1,142,153</u>	<u>100.0</u>	<u>\$ 973,476</u>	<u>100.0</u>	<u>\$ 168,677</u>
COST OF GOODS SOLD					
Inventory, beginning	291,993		291,334		
Purchases	<u>1,018,232</u>		<u>871,476</u>		
Total	<u>1,310,225</u>		<u>1,162,810</u>		
Inventory, ending	<u>297,935</u>		<u>291,993</u>		
Cost of Goods Sold	<u>1,012,290</u>	<u>88.6</u>	<u>870,817</u>	<u>89.5</u>	<u>141,473</u>
GROSS MARGIN ON SALES	<u>129,863</u>	<u>11.4</u>	<u>102,659</u>	<u>10.5</u>	<u>27,204</u>
OPERATING EXPENSES					
Salaries	67,370	5.9	50,409	5.2	16,961
Wages	25,196	2.2	24,255	2.5	941
Supplies	7,896	.7	7,278	.7	618
Telephone	1,527	.1	1,375	.1	152
Dues and subscriptions	50	-	50	-	-
Payroll taxes and retirement	8,519	.7	6,657	.7	1,862
Insurance and taxes	860	.1	945	.1	(85)
Repairs, maintenance	3,673	.3	3,026	.3	647
Equipment	6,909	.6	10,820	1.1	(3,911)
Business office service charge	5,639	.5	4,790	.5	849
Travel	28	-	45	-	(17)
Data processing	<u>646</u>	<u>.1</u>	<u>2,658</u>	<u>.3</u>	<u>(2,012)</u>
Total operating expenses	<u>128,313</u>	<u>11.2</u>	<u>112,308</u>	<u>11.5</u>	<u>16,005</u>
NET OPERATING INCOME (LOSS)	<u>1,550</u>	<u>.2</u>	<u>(9,649)</u>	<u>(1.0)</u>	<u>11,199</u>
OTHER INCOME	<u>124</u>	<u>-</u>	<u>841</u>	<u>.1</u>	<u>(717)</u>
NET INCOME (LOSS)	<u>\$ 1,674</u>	<u>.2</u>	<u>\$ (8,808)</u>	<u>(.9)</u>	<u>\$ 10,482</u>

EXHIBIT B

THE UNIVERSITY OF ARIZONA

STORES DEPARTMENT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1970 AND 1969

	<u>June 30</u> <u>1970</u>	<u>June -30</u> <u>1969</u>	<u>Increase</u> <u>(Decrease)</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Accounts receivable	\$ 118,188	\$ 65,524	\$ 52,664
Inventory merchandise	<u>297,935</u>	<u>291,993</u>	<u>5,942</u>
Total Assets	<u>\$ 416,123</u>	<u>\$ 357,517</u>	<u>\$ 58,606</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Cash advanced from Business Office	\$ 274,623	\$ 232,371	\$ 42,252
Accounts payable	<u>70,854</u>	<u>56,174</u>	<u>14,680</u>
Total current liabilities	345,477	288,545	56,932
Fund Balance	<u>70,646</u>	<u>68,972</u>	<u>1,674</u>
Total Liabilities and Fund Balance	<u>\$ 416,123</u>	<u>\$ 357,517</u>	<u>\$ 58,606</u>