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Report of Examination of the Accounts of the

GARAGE OF THE UNIVERSITY OF ARIZONA

July 1, 1964 to June 30, 1965

Report No. 120

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EXAMINATION OF THE ACCOUNTS OF THE GARAGE
OF THE UNIVERSITY OF ARIZONA

To the Board of Regents of the
Universities and State College of Arizona:

The report presented herewith covers our examination of
the accounts of the University of Arizona Garage Fund for the
fiscal year ended June 30, 1965.

Respectfully submitted,


A. B. Nettleton
General Examiner


S. A. Morey
Examiner

March 25, 1966

GARAGE OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1964 TO JUNE 30, 1965

Contents

| | <u>Page</u> |
|---|-------------|
| Financial Summary | 1 |
| Comments on 1964-65 Income and Expenses | 1 |
| Comments on the Balance Sheet | 3 |
| Financial Statements: | |
| Exhibit A: Statement of Income and Expenses for the Years Ended June 30, 1965 and 1964 | 4 |
| Exhibit B: Balance Sheet for the Years Ended June 30, 1965 and 1964 | 5 |

GARAGE OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1964 TO JUNE 30, 1965

Financial Summary

Using the modified accrual method applied in examination reports for prior years, the Garage had net income of \$45,900 in 1964-65. This compares with net income of \$41,070 in 1963-64, or an increase of \$4,830. The increase in net operating income for 1964-65 was \$6,045, but gains on vehicles traded decreased \$1,215, leaving a net increase of \$4,830. The increase in operating income is the result of increased usage of the garage fleet and a slight decrease in total expenses, offset by a decrease in sales of supplies, parts, and services to other departments.

Comments on 1964-65 Income and Expenses

Exhibit A shows the income and expenses of the Garage for the fiscal years ended June 30, 1965 and 1964. Supplementary comments relating to Exhibit A appear below.

Gross Income from Vehicle Rentals

\$ 150,730

T The Garage fleet contained 83 rental vehicles at June 30, 1965, compared with 77 at June 30, 1964, an increase of 6 vehicles. Seven sedans were placed in service at the end of June 1965 and together traveled only 2,990 miles in the 1964-65 fiscal year. One vehicle was wrecked at the end of June 1964 and removed from service. Therefore, the Garage had 76 rental vehicles in the fleet for almost the total fiscal year 1964-65. In addition to the rental vehicles, the Garage has an older vehicle used for Garage business. The total number of vehicles in the Garage fleet at June 30, 1965 was 84.

The total mileage of all rental vehicles in 1964-65 was 1,355,547 compared with 1,325,439 miles in 1963-64. Gross income from vehicle rental in 1964-65 was \$150,730, an increase of \$7,131 over the \$143,599 earned in 1963-64.

The following table shows the number of vehicles and total indicated gross rental revenue for each category of vehicles in 1964-65 based upon the elapsed mileage determined from beginning and ending odometer readings for the year:

| Category | Number of Vehicles | Miles Traveled | Mileage Rental Rate | Gross Rental Revenue |
|-------------------------|--------------------|----------------|---------------------|----------------------|
| Light Passenger Cars | 40 | 895,907 | \$.10 | \$ 89,591 |
| Pickup Trucks | 16 | 180,875 | .10 | 18,088 |
| Medium Passenger Car | 1 | 10,800 | .10 | 1,080 |
| Station Wagons | 9 | 159,991 | .12 | 19,199 |
| 4 Wheel Drive Suburbans | 2 | 30,815 | .15 | 4,622 |
| Heavy Trucks | 5 | 23,596 | .17 | 4,011 |
| Heavy Trucks | 3 | 19,416 | .20 | 3,883 |
| Mobile Laboratory | 1 | 242 | .25 | 60 |
| Large Buses | 6 | 33,205 | .30 | 10,272 |
| Total | <u>83</u> | 1,355,547 | | \$ 150,706 |

The difference of \$24 between the total gross rental income computed above from elapsed mileage and the total income from this source shown in Exhibit A represents net unadjusted overbillings for 1964-65. The comparable figure for 1963-64 was total net unadjusted overbillings of \$369.

The examiners have followed a practice of making a preliminary test of billings against elapsed mileage prior to the end of the fiscal year to detect and correct as many errors as possible. Unadjusted errors noted above occur in the last two or three months of the fiscal year and cannot be corrected prior to end of the year, or are errors of a nature which cannot be corrected because the facts are not evident from recorded events.

Sale of Supplies, Parts, and Services \$ 18,792

The Garage furnishes gas, oil, tires and parts for vehicles operated by the Physical Plant Department and certain other departments. The amount billed from the Garage Fund for such materials totaled \$18,792 in 1964-65 compared with \$20,069 in 1963-64.

Chauffeur Charges \$ 3,413

The Garage furnishes drivers for the buses and on occasion for other vehicles. Charges for the drivers' time are included with the billing for the mileage traveled. The total charge for chauffeur time in 1964-65 was \$3,413, compared with \$3,744 in 1963-64.

Total Operating Expenses \$ 126,601

Total operating expenses of the Garage Fund in 1964-65 were \$126,601 compared with \$127,071 in 1963-64, a decrease of \$470. Changes recorded in the various categories of expense were not significant and require no further comment here. It is pointed out that charges for the gas, oil, tires and parts, as well as chauffeur labor, billed to other departments are also included in the total expenditures of the Garage. These billings decreased \$1,608 in 1964-65 over that recorded in 1963-64, allowing the Garage to spend more for its own operation without a corresponding increase in total expenditures.

Gain or (Loss) on Trade of Motor Vehicles

\$(506)

The Garage traded only one vehicle in 1964-65. The allowance received was \$506 less than the book value as computed by the examiners. Twelve vehicles were traded in 1963-64 and the allowance received was \$301 more than the book value. In addition, the insurance settlement on the vehicle wrecked was \$408 greater than the computed book value, making a total gain on trade and disposition in 1963-64 of \$709.

Comments on the Balance Sheet (Exhibit B)

Investment in Motor Vehicles

\$ 180,738

Accounts Payable

\$ 15,751

The investment in motor vehicles at June 30, 1965 was \$180,738, an increase of \$14,264 over that at June 30, 1964. This increase reflects the cost of seven new sedans put into service at the end of June. At June 30, 1965 these seven vehicles had not been paid for, thus accounting for most of the balance in the accounts payable account of \$15,751. In July and August 1965 the Garage took delivery of 28 additional new vehicles and traded in 23 vehicles from the fleet at a net cost of \$46,278 for the 35 new vehicles.

University of Arizona Garage
Statement of Income and Expenses
For the Years Ended June 30, 1965 and 1964

| | <u>Year</u> <u>1964-65</u> | <u>Year</u> <u>1963-64</u> | <u>Increase</u> <u>(Decrease)</u> |
|---|-------------------------------|-------------------------------|--------------------------------------|
| <u>Income</u> | | | |
| Rental of Motor Vehicles | \$ 150,730 | \$ 143,599 | \$ 7,131 |
| Chauffeur Charges | 3,413 | 3,744 | (331) |
| Sales of Supplies, Parts, and Service | 18,792 | 20,069 | (1,277) |
| Miscellaneous Income | <u>72</u> | <u>20</u> | <u>52</u> |
| <u>Total Income</u> | <u>173,007</u> | <u>167,432</u> | <u>5,575</u> |
| <u>Expenses</u> | | | |
| Wages | 32,289 | 31,296 | 993 |
| Office Expenses | 496 | 553 | (57) |
| Telephone | 106 | 113 | (7) |
| Operating Supplies | 442 | 343 | 99 |
| Laundry | 214 | 609 | (395) |
| Insurance | 4,193 | 5,231 | (1,038) |
| Payroll Taxes and Insurance | 1,985 | 2,128 | (143) |
| Motor Vehicle Operation | 52,500 | 53,704 | (1,204) |
| Motor Vehicle Depreciation | 33,312 | 32,479 | 833 |
| Repairs to Equipment and Building | 302 | 70 | 232 |
| Equipment | 179 | -0- | 179 |
| Travel | 96 | 60 | 36 |
| Business Office Service Charge | <u>487</u> | <u>485</u> | <u>2</u> |
| <u>Total Operating Expenses</u> | <u>126,601</u> | <u>127,071</u> | <u>(470)</u> |
| <u>Net Operating Income</u> | 46,406 | 40,361 | 6,045 |
| Gain or (Loss) on Trade of Motor Vehicles | <u>(506)</u> | <u>709</u> | <u>(1,215)</u> |
| <u>Net Income</u> | <u>\$ 45,900</u> | <u>\$ 41,070</u> | <u>\$ 4,830</u> |

University of Arizona GarageBalance SheetFor the Years Ended June 30, 1965 and 1964

| | <u>June 30,</u> <u>1965</u> | <u>June 30,</u> <u>1964</u> | <u>Increase</u> <u>(Decrease)</u> |
|---|--------------------------------|--------------------------------|--------------------------------------|
| <u>Assets</u> | | | |
| <u>Current Assets</u> | | | |
| Cash on Deposit with the Business Office | \$ 124,405 | \$ 42,837 | \$ 81,568 |
| Accounts Receivable | <u>22,312</u> | <u>30,331</u> | <u>(8,019)</u> |
| <u>Total Current Assets</u> | <u>146,717</u> | <u>73,168</u> | <u>73,549</u> |
| <u>Investment in Motor Vehicles</u> | 180,738 | 166,474 | 14,264 |
| Less: Accumulated Depreciation | <u>90,723</u> | <u>59,442</u> | <u>31,281</u> |
| <u>Net Investment in Motor Vehicles</u> | <u>90,015</u> | <u>107,032</u> | <u>(17,017)</u> |
| <u>Total Assets</u> | <u>236,732</u> | <u>180,200</u> | <u>56,532</u> |
| <u>Liabilities and Fund Balance</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | <u>15,751</u> | <u>5,119</u> | <u>10,632</u> |
| <u>Total Current Liabilities</u> | <u>15,751</u> | <u>5,119</u> | <u>10,632</u> |
| <u>Fund Balance</u> | <u>220,981</u> | <u>175,081</u> | <u>45,900</u> |
| <u>Total Liabilities and Fund Balance</u> | <u>\$ 236,732</u> | <u>\$ 180,200</u> | <u>\$ 56,532</u> |