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Examination of Cash and Securities at

THE UNIVERSITY OF ARIZONA

As of March 31, 1964

Report No. 100

Office of the General Examiner
for the Board of Regents of
the Universities and State College of Arizona

EXAMINATION OF CASH AND SECURITIES AT
THE UNIVERSITY OF ARIZONA

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

The report covering our examination of cash on hand and in
banks, student loan funds, and securities owned at the University
of Arizona as of March 31, 1964 is presented herewith.

Respectfully submitted,


Alvred B. Nettleton
General Examiner


Sylvester A. Morey
Examiner

May 18, 1964

THE UNIVERSITY OF ARIZONA
EXAMINATION OF CASH AND SECURITIES
MARCH 31, 1964

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THE UNIVERSITY OF ARIZONA
EXAMINATION OF CASH AND SECURITIES
MARCH 31, 1964

Scope of the Examination

An examination was made as of March 31, 1964 of cash in banks (excluding funds on deposit with the State Treasurer), cash on hand in various departments, student loan funds, and securities held for endowment and for bond retirement funds.

The auditing procedures used to perform this examination were similar to those employed in preceding years. The scope of the examination did not include a review of the transactions underlying the collections and disbursements recorded in the cash and bank accounts, except for tests in limited areas such as income from securities and bond sinking fund transactions.

Cash in Banks

Bank Deposit Accounts

Total cash in banks per audit as of March 31, 1964, as shown in Exhibit A, amounted to \$3,749,941. This total excludes balances of \$22,361 in various Associated Students and Intercollegiate Athletics bank accounts, and \$508 in the Archaeological Field School checking account. These latter accounts are not reflected on the general books of the University of Arizona and, therefore, are not shown in Exhibit A.

The allocation of the deposit totals per audit to individual banks is shown below:

Valley National Bank, University Office	\$454,625	
Valley National Bank, Downtown Office (Bond Sinking Fund Cash)	27,856	
Valley National Bank, Phoenix, Trust Dept. (Bond Sinking Fund Cash)	<u>758</u>	\$ 483,239
The Arizona Bank		1,896,889
The Bank of Tucson		124,422
Southern Arizona Bank and Trust Co.	250,803	
Southern Arizona Bank and Trust Co. Trust Dept. (Bond Sinking Fund Cash)	<u>154,420</u>	405,223
First National Bank of Arizona (Tucson)	690,574	
First National Bank of Arizona (Prescott) (Bond Sinking Fund Cash)	<u>1,113</u>	691,687
Union Bank		116,690
Greater Arizona Savings and Loan		10,579
Pima Savings and Loan		10,575
Tucson Federal Savings and Loan		10,575
American National Bank and Trust Co. of Chicago (Bond and Coupon Paying Account)		<u>62</u>
<u>Total Cash in Banks per Audit</u>		<u>\$3,749,941</u>

The funds of the Associated Students and Department of Intercollegiate Athletics and of the Archaeological Field School referred to previously, which are not included in the above tabulation, are on deposit with the Southern Arizona Bank and Trust Co., Campbell Avenue office, and the Valley National Bank, Globe, respectively.

Securities Pledged by Depository Banks

We compared the total balances on deposit in the various banks with the total par value of the securities pledged by the respective depository banks to guarantee such deposits. In connection with this comparison, we obtained written confirmation of the amounts and descriptions of pledged securities from the custodian banks.

Our examination indicated that the deposits of the University of Arizona in the First National Bank of Arizona were inadequately collateralized at March 31, 1964. This deficiency has been brought to the attention of the Comptroller and Treasurer of the University of Arizona.

Proposed changes in the distribution of deposits between the various depository banks may require a substantial increase in collateral in some cases. Care should be exercised to be sure that increased collateral as needed is secured.

It is recommended by the examiners that a monthly comparison be made by the Comptroller's Office of the total deposits in each bank against the total of securities pledged to secure deposits by that bank, thus insuring adequate protection at all times.

Cash on Hand

The examination included verification by physical count of cash on hand in the Business Office (Imprest Cash), Bookstore, and Student Union. Exhibit B shows the composition of the Imprest Cash Fund as of March 31, 1964. (It will be noted that the change funds of the Bookstore and Student Union are provided through advances from the Imprest Cash Fund.)

Student Loan Funds

The assets and fund balance of the University of Arizona Student Loan Fund as of March 31, 1964 are shown in Exhibit C.

The assets and capital of the National Defense Student Loan fund are shown in Exhibit D. The format of Exhibit D is in conformity with the requirements of the Financial Management Branch of the Department of Health, Education and Welfare, Office of Education. Since the inception of the National Defense Student Loan program, the University of Arizona has received \$1,286,516 in federal funds and has provided \$142,946 in matching funds. Outstanding loans receivable at March 31, 1964 totaled \$1,330,997.

The audit of National Defense Student Loans included direct confirmation of loan balances outstanding on a test basis. The percentage of response was approximately 90%. No unreconciled differences were noted by any respondent.

Securities Owned

Exhibit E presents a summary of securities owned as of March 31, 1964, including securities held by corporate trustees for bond sinking funds. Our verification procedures with respect to securities consisted of physical inspection of those securities in the Business Office and in the safe deposit box, and the obtaining of written confirmations concerning securities in custody of corporate trustees. In addition we verified the income received from interest, dividends, etc. and traced the distribution to the various funds involved. We noted that the University of Arizona apparently did not receive the March 1963 dividend of \$60 from S.S. Kresge Company stock owned. This matter has been brought to the attention of the Comptroller and Treasurer for appropriate action.

The examiners feel that due to the magnitude and diversity of the various endowment and gift accounts, a pooling of endowment investments might be considered to facilitate the handling of the investments and the distribution of the income generated.

Bonds Payable

Exhibit G presents a summary of the bonded indebtedness as of March 31, 1964 and required payments for interest, principal, and sinking funds for 1964-65.

Exhibit F presents a summary of the status of the related sinking funds for the various bond issues as of March 31, 1964.

Comments and Recommendations on Fiscal Procedures

The comments concerning accounting procedures and other fiscal matters which arose during our examination have been brought to the attention of the Comptroller and Treasurer, and appropriate members of the Business Office staff, as they occurred.

The University of Arizona
Cash in Banks (Exclusive of State Treasurer Deposits)
March 31, 1964

Exhibit A

	<u>Balance Per Bank</u>	<u>Add Deposits in Transit</u>	<u>Transfer in Process</u>	<u>Add (Ded) Other Adjustments</u>	<u>Deduct Outstanding Checks</u>	<u>Balance Per Audit</u>
Comptrollers Account - Checking Account	\$1,239,805.27	\$43,966.83	\$(937,856.10)	\$ (1) 7.00	\$ 59,533.24	\$ 219,119.29
Savings Accounts	31,729.14			(2)(67,270.47)		31,729.14
Treasurer, Board of Regents - Local Funds	1,870,594.51		926,704.44		468,724.96	2,328,573.99
Time Deposit	500,000.00					500,000.00
Treasurer, Board of Regents - Federal Funds	310,055.92				29,448.02	280,607.90
Imprest Cash Account	26,106.12				8,715.87	17,390.25
Student Loan Fund	54,488.09			(2) 4,054.09	15.00	58,527.18
National Defense Student Loan Fund	23,278.22			(2) 63,216.38	8,700.00	77,794.60
Arizona Hall Construction Account	19,631.45					19,631.45
1960 Student Housing Bond Revenue						
Fund Acct. (Small Group Housing)	19,819.33		11,151.66			30,970.99
1960 Regent's Surplus Revenue Reserve						
Fund (Small Group Housing)	1,386.50					1,386.50
Sinking Fund Cash (Exhibit E)	184,146.83					184,146.83
Fiscal Agent Accounts	62.50					62.50
<u>Total</u>	<u>\$4,281,103.88</u>	<u>\$43,966.83</u>	<u>\$ -o-</u>	<u>\$ 7.00</u>	<u>\$575,137.09</u>	<u>\$3,749,940.62</u>

(1) Check charged against Comptroller's Account in error by the bank corrected in April.

(2) Checks to transfer March collections of the loan funds were not made until April.

The University of Arizona
Imprest Cash Fund
March 31, 1964

Exhibit B

Fund Provided by

Advance from State Treasurer	\$10,000.00	
Advance from Comptroller's Bank Account	<u>80,000.00</u>	
<u>Total Fund</u>		\$90,000.00
Old Unpaid Checks Written Off		<u>1,149.90</u>
<u>Total to be Accounted for</u>		91,149.90

Accounted for by

Cash in Bank (Exhibit A)	17,390.25	
Returned Checks in Transit	31.40	
Cash and Equivalent on Hand	12,249.51	
Reimbursement due from:		
State Treasurer	31,740.35	
Treasurer, Board of Regents Accounts	3,066.16	
Advances (a)	<u>27,185.25</u>	
<u>Total Accounted for</u>		<u>91,662.92</u>
<u>Fund Over (Net cumulative overs and shorts)</u>		<u>\$ 513.02</u>

(a) Advances consist of:

Change and Working Funds:		
Student Union Building	\$ 11,380.00	
Bookstore	1,600.00	
Experimental Farms	350.00	
Advance for Field Research Payrolls	3,100.00	
Other Advances for Petty Cash & Change	<u>625.00</u>	17,055.00
Travel		<u>10,130.25</u>
<u>Total Advances</u>		<u>\$27,185.25</u>

The University of Arizona
Student Loan Fund
Balance Sheet
March 31, 1964 and 1963

Exhibit C

	<u>March 31,</u> <u>1964</u>	<u>March 31,</u> <u>1963</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Assets</u>			
Cash in Bank	\$ 58,527.18	\$112,995.68	\$(54,468.50)
Cash in Custody of Dean of Men	50.00	200.00	(150.00)
Notes Receivable	105,155.74	51,905.15	53,250.59
Investments	91,524.29	83,599.29	7,925.00
Advance to National Defense Student Loan Fund	28,180.00	28,180.00	-o-
Advance to United Student Aid Fund	<u>12,800.00</u>	<u>7,500.00</u>	<u>5,300.00</u>
<u>Total</u>	<u>\$296,237.21</u>	<u>\$284,380.12</u>	<u>\$ 11,857.09</u>
<u>Fund Balance</u>			
<u>Fund Balance</u>	<u>\$296,237.21</u>	<u>\$284,380.12</u>	<u>\$ 11,857.09</u>

The University of Arizona
National Defense Student Loan Fund
Statement of Financial Position
March 31, 1964

Exhibit D

Assets

Cash in Bank		\$ 77,794.60
Due from Federal Government		-0-
Due from the University of Arizona (Note 1)		5,258.22
Loans Advanced	\$1,417.890,00	
Less:		
Collections of Principal	\$61,542.58	
Cancellations of Principal - Teaching	23,050.82	
Cancellations of Principal - Death	<u>2,300.00</u>	<u>86,893.40</u>
Net Loans Outstanding		<u>1,330,996.60</u>
<u>Total Assets</u>		<u>\$1,414,049.42</u>

Capital

Federal Contribution		\$1,286,516.00
University of Arizona Contribution		<u>142,946.22</u>
Sub-total, Capital Contributions Authorized		1,429,462.22
Add: Interest Income on Loans:		
Collections	\$ 9,938.02	
Cancellations for Teaching	<u>2,878.19</u>	12,816.21
Less: Cancellations of Principal and Interest		<u>(28,229.01)</u>
<u>Total Capital</u>		<u>\$1,414,049.42</u>

Note 1: The amount of \$5,258.22 due from the University of Arizona as matching contribution for fiscal year 1963-64 has been deposited into the National Defense Student Loan Fund on May 5, 1964.

The University of Arizona
Summary of Securities Owned
March 31, 1964

Exhibit E

		<u>Book</u>	<u>Value</u>
<u>Endowment and Gift Funds</u>			
U.S. Government Bonds	\$ 93,000.00		
Other Bonds	15,198.63		
Stocks	517,707.74		
Participation in Trust Fund	25,007.72		
Savings Accounts	<u>20,740.29</u>		
<u>Total Endowment and Gift Funds</u>		\$	671,654.38
<u>Student Loan Fund</u>			
U.S. Government Bonds	10,000.00		
Stocks	<u>81,524.29</u>		
<u>Total Student Loan Funds</u>			91,524.29
<u>Auxiliary Enterprises</u>			
<u>Associated Students</u>			
U.S. Government Bonds (Bookstore)	<u>25,934.87</u>		
Total Associated Students	<u>25,934.87</u>		
<u>Intercollegiate Athletics</u>			
U.S. Government Bonds	1,500.00		
Stocks	<u>46,923.69</u>		
Total Intercollegiate Athletics	<u>48,423.69</u>		
<u>Total Auxiliary Enterprises</u>			74,358.56
<u>Other Local Fund Investments</u>			
U.S. Treasury Bills	495,553.34		
Stocks	<u>26,019.23</u>		
<u>Total Other Local Fund Investments</u>			521,572.57
<u>Dormitory Construction Funds</u>			
U.S. Government Treasury Bills			508,817.28
<u>Regents Reserve for Small Group Housing</u>			
U.S. Government Treasury Bills			50,461.50
<u>Bond Sinking Fund Investments (Exhibit F)</u>			
U.S. Government Bonds and Treasury Bills	748,811.34		
Other Bonds	<u>17,000.00</u>		
<u>Total Bond Sinking Fund Investments</u>			765,811.34
<u>Agency (Alumni)</u>			
Stocks			<u>4,999.41</u>
<u>Total Securities Owned</u>			<u>\$2,689,199.33</u>

The University of Arizona
Sinking Fund Cash and Investments
March 31, 1964

Exhibit F

<u>Sinking Fund Cash and Investments</u>	<u>Sinking Fund Cash</u>	<u>Sinking Fund Investments</u>	<u>Total Sinking Fund</u>
Series of 1937 (Gila, Yuma, Stad.add.)	\$ 1,112.68	\$ 66,500.00	\$ 67,612.68
Series of 1940 (Pima Hall)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal 1937 and 1940	1,112.68	66,500.00	67,612.68
Series of 1941 (Yavapai Hall)	282.47	33,223.30	33,505.77
Series of 1946 (E. Stad., Hopi, Papago)	27,573.51	30,276.70	57,850.21
Series of 1953 (Coconino Hall)	758.12	40,378.77	41,136.89
Series of 1955 (Graham, Greenlee Halls)	7,832.68	91,407.78	99,240.46
Series of 1956 (Apache, Santa Cruz, Mohave, Manzanita Halls)	64,339.15	177,714.04	242,053.19
Series of 1957 (Hucchuca, Kaibab Halls)	23,996.14	137,319.98	161,316.12
Series of 1960 (Small group Housing)	30,947.95	188,990.77	219,938.72
Series of 1961 (Student Union)	15,560.00	-0-	15,560.00
Series of 1962 (Sonora Hall)	3,785.38	-0-	3,785.38
Series of 1963 (Arizona Hall)	<u>7,958.75</u>	<u> </u>	<u>7,958.75</u>
<u>Total Sinking Fund Cash and Investments</u>	<u>\$184,146.83</u>	<u>\$765,811.34</u>	<u>\$949,958.17</u>

The University of Arizona
Summary of Bonded Debt
March 31, 1964

Exhibit G

<u>Series</u>	<u>Used for Construction of</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding 3/31/1964</u>	<u>Interest Rate</u>	<u>Total Payment Required (Inc'l Sinking Fund etc.) 1964-65</u>	<u>Date Final Maturity</u>	
1937	Dormitories and Portion of Stadium	\$ 265,000	\$ 49,000	4%	\$ -o-	1/1/67	(Note 1)
1940	Dormitory	45,000	15,500	4%	-o-	1/1/70	(Note 1)
1941	Dormitory	250,000	100,000	2-1/2, 3%	13,765.00	8/1/71	
1946	Dormitories and Portion of Stadium	350,000	64,000	2-1/2%	24,175.00	7/1/66	
1953	Dormitory	400,000	349,000	3.01%	18,294.20	7/1/93	
1955	Dormitories	1,000,000	893,000	3.25%	45,746.25	1/1/95	
1956	Dormitories	2,200,000	2,024,000	2.75%	120,000.00	10/1/96	
1957	Dormitories	1,150,000	1,038,000	2-7/8%	66,425.01	10/1/97	
1960	Small Group Housing	2,500,000	2,441,000	3-1/8%	125,000.00	9/1/2000	
1961	Student Union Addition	500,000	500,000	3, 3-1/4, 3-1/2%	44,000.00	10/1/86	
1962	Dormitory	1,500,000	1,496,000	3-3/8%	72,812.50	4/1/2002	
1963	Dormitory	1,500,000	1,500,000	3, 3-1/4	51,617.50	4/1/2003	
				3.4, 3-1/2%			
<u>Totals (Note 2)</u>		<u>\$11,660,000</u>	<u>\$10,469,500</u>		<u>\$581,835.46</u>		

Note 1: The sinking fund for the Series of 1937 bonds is now sufficient to cover all future payments of principal and interest for this issue and the Series of 1940.

Note 2: In addition to the outstanding bond issues included herein, bonds presently authorized but unissued amount to \$7,250,000 (\$5,500,000 for student housing and \$1,750.00 for stadium enlargement).