

Report of Examination of the Accounts of the

GARAGE OF THE UNIVERSITY OF ARIZONA

July 1, 1962 to June 30, 1963

Report No. 99

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

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, 1963.

Respectfully submitted,

Alfred B. Nettleton
Alfred B. Nettleton
General Examiner

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March 31, 1964

GARAGE OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1962 TO JUNE 30, 1963

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GARAGE OF THE UNIVERSITY OF ARIZONA

EXAMINATION REPORT

JULY 1, 1962 TO JUNE 30, 1963

Financial Summary

Using the modified accrual method applied in examination reports for prior years, the Garage had net income of \$20,085 in 1962-63. This compares with net income of \$7,765 in 1961-62, or an increase of \$12,320. This increase in net income for 1962-63 was entirely due to gain on vehicles traded in 1962-63. The net income from vehicle rental and other sales in 1962-63 was \$495 less than the net income in 1961-62. Although gross income from vehicle rentals and sale of supplies and services increased substantially in 1962-63 over 1961-62, the costs of operation increased even more.

The Garage raised the vehicle rental rate per mile for all classes of vehicles July 1, 1963. This was the first increase in several years, and the results will be reflected in the operations for 1963-64.

Comments on 1962-63 Income and Expenses

Exhibit A shows the income and expenses of the Garage for the fiscal years ended June 30, 1963 and 1962. Supplementary comments relating to Exhibit A appear below.

Gross Income from Vehicle Rentals \$98,499

The garage fleet contained 67 vehicles at June 30, 1963 compared with 56 at June 30, 1962, an increase of 11 vehicles. The increase consisted of 6 sedans, 1 heavy truck, 3 large buses, and one special purpose mobile laboratory truck received as a gift. In addition four special purpose vehicles were exchanged for vehicles of more general use. The total mileage of all vehicles in 1962-63 was 1,098,306 miles compared with 907,703 miles in 1961-62. Total gross income from vehicle rental in 1961-62 was \$81,999.

The following table shows the number of vehicles and total indicated gross rental revenue for each category of vehicle in 1962-63, based upon the elapsed mileage determined from beginning and ending odometer readings for the year:

<u>Category</u>	<u>Number of Vehicles</u>	<u>Miles Traveled</u>	<u>Mileage Rental Rate</u>	<u>Gross Rental Revenue</u>
Light Passenger	29	720,410	.08	\$ 57,633
Pickup Trucks	13	156,767	.08	12,541
Station Wagons	10	147,760	.10	14,776
Medium Passenger	1	14,314	.10	1,431
Heavy Trucks	5	24,744	.15	3,712
Heavy Trucks	3	17,277	.20	3,455
Mobile Laboratory	1	331	.25	83
Large Buses	<u>5</u>	<u>16,703</u>	<u>.30</u>	<u>5,011</u>
<u>Total</u>	<u>67</u>	<u>1,098,306</u>		<u>\$ 98,642</u>

The difference of \$143 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 underbillings for 1962-63. The comparable figure for 1961-62 was total net unadjusted overbillings of \$308.

Sale of Supplies, Parts and Services \$18,869

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 \$18,869 in 1962-63, compared with \$11,845 in 1961-62.

Wages \$25,749

Payroll Taxes and Insurance \$ 1,773

Wages for Garage personnel in 1962-63 were \$25,749 compared with \$19,076 in 1961-62, an increase of \$6,673. This increase reflects merit increases, the wages of one additional mechanic, and adjustments caused by the death and subsequent hiring of a new manager. Payroll taxes and industrial commission insurance increased \$584 in 1962-63 over 1961-62 due to increased payrolls.

Insurance \$5,743
Insurance expense for the garage fleet in 1962-63 was \$5,743, an increase of \$1,808 over the \$3,935 paid in 1961-62. The increase in the number of vehicles and the slightly higher cost per vehicle accounts for this change. Coverage includes comprehensive fire and theft on all vehicles and collision on vehicles four years old or newer. Public liability and property damage is included in a master policy carried by the State of Arizona.

Motor Vehicle Operations \$49,503
Expenditures for motor vehicle operations in 1962-63 were \$49,503, an increase of \$10,718 over the \$38,785 recorded in 1961-62. Expenses in this category include gasoline, oil, parts, and repairs (including accident damage). Proceeds from insurance claims in settlement of accidents have been credited to this account to offset the cost of repairs necessary. The cost of supplies and parts sold to Physical Plant and other departments has also been charged to this account. No attempt has been made to separate these charges from the garage's own expense.

Motor Vehicle Depreciation \$25,694
Motor vehicle depreciation was estimated at \$25,694 in 1962-63 and at \$21,350 in 1961-62, an increase of \$4,344. This increase was due in part to higher vehicle cost, but in the main it is the result of 190,603 more miles traveled by the garage fleet in 1962-63 over 1961-62.

Depreciation expense for garage vehicles has been estimated by the examiners using the following formulae:

- (1) All vehicles except those covered by methods (2) and (3) below: a trade-in value of 40% of original cost after two years of use has been assumed, and the remaining 60% of cost has been divided by 60,000 miles to determine a depreciation rate per mile.
- (2) Medium passenger car: a trade-in value of 50% of original cost has been assumed, and the remaining 50% of cost has been divided by 36,000 miles to determine a depreciation rate per mile.
- (3) Heavy trucks and large buses: 100% of original cost has been divided by 50,000 miles to determine a depreciation rate per mile.

Gain on Trade of Motor Vehicles \$12,815
The garage traded 24 vehicles in 1962-63 for which a total allowance of \$21,818 was received. This was \$12,815 more than the depreciated book value as computed by the examiners. No vehicles were traded in 1961-62.

Comments on the Balance Sheet (Exhibit B)

Cash on Deposit with the Business Office \$19,034
Cash on deposit with the Business Office at June 30, 1963 was \$19,034, a decrease of \$21,315 from the total of \$40,349 on deposit June 30, 1962. This decrease was caused by the large outlay for new vehicles during the fiscal year 1962-63.

Investment in Motor Vehicles \$148,338
Less: Accumulated Depreciation \$(43,874)
The garage fleet at June 30, 1963 had an estimated undepreciated book value of \$104,464 compared with an estimated \$55,770 at June 30, 1962. During the fiscal year 1962-63 the garage traded vehicles with an original cost of \$43,597 and purchased new vehicles with a cash value of \$83,391. Actual cash outlay after the trade-in allowance of \$21,818 was \$61,573.

Fund Balance \$134,011
The garage fund balance at June 30, 1963 was \$134,011. The increase of \$20,085 represents the net income from operations in the year 1962-63 computed by the examiners using the modified accrual basis used in prior years' examinations.

Comments on Accounting Procedures

Our examination of the mileage billing procedures for the garage found them satisfactory and operating smoothly.

A check of the gasoline pump record indicates that the system is operating relatively smoothly; however, the Physical Plant Department office has not been making monthly reconciliations, as was recommended in the examination report for 1961-62. The results of the reconciliation should be made available to the Garage manager to enable him to better control gasoline usage and recording. The personnel in the Physical Plant office have agreed to make this reconciliation, effective immediately.

University of Arizona Garage
Statement of Income and Expenses
For the Years Ended June 30, 1963 and 1962

	<u>Year</u> <u>1962-63</u>	<u>Year</u> <u>1961-62</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Income</u>			
Rental of Motor Vehicles	\$ 98,499	\$ 81,999	\$ 16,500
Sale of Supplies, Parts and Services	18,869	11,845	7,024
Miscellaneous Income	<u>118</u>	<u>-0-</u>	<u>118</u>
<u>Total Income</u>	<u>117,486</u>	<u>93,844</u>	<u>23,642</u>
<u>Expenses</u>			
Wages	25,749	19,076	6,673
Office Expense	330	110	220
Telephone	106	113	(7)
Operating Supplies	385	434	(49)
Laundry	263	197	66
Insurance	5,743	3,935	1,808
Payroll Taxes and Insurance	1,773	1,189	584
Motor Vehicle Operations	49,503	38,785	10,718
Motor Vehicle Depreciation	25,694	21,350	4,344
Repairs to Equipment	139	75	64
Equipment	-0-	323	(323)
Travel	92	148	(56)
Business Office Service Charge	<u>439</u>	<u>344</u>	<u>95</u>
<u>Total Operating Expenses</u>	<u>110,216</u>	<u>86,079</u>	<u>24,137</u>
<u>Net Operating Income</u>	7,270	7,765	(495)
Gain on Trade of Motor Vehicles	<u>12,815</u>	<u>-0-</u>	<u>12,815</u>
<u>Net Income</u>	<u>\$ 20,085</u>	<u>\$ 7,765</u>	<u>\$ 12,320</u>

University of Arizona Garage

Balance Sheet

For the Years Ended June 30, 1963 and 1962

	<u>June 30,</u> <u>1963</u>	<u>June 30,</u> <u>1962</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash on Deposit with the Business Office	\$ 19,034	\$ 40,349	\$(21,315)
Accounts Receivable	<u>15,771</u>	<u>19,152</u>	<u>(3,381)</u>
<u>Total Current Assets</u>	<u>34,805</u>	<u>59,501</u>	<u>(24,696)</u>
Investment in Motor Vehicles	148,338	108,544	39,794
Less: Accumulated Depreciation	<u>43,874</u>	<u>52,774</u>	<u>(8,900)</u>
<u>Net Investment in Motor Vehicles</u>	<u>104,464</u>	<u>55,770</u>	<u>48,694</u>
<u>Total Assets</u>	<u>139,269</u>	<u>115,271</u>	<u>23,998</u>
<u>Liabilities and Fund Balance</u>			
<u>Current Liabilities</u>			
Accounts Payable	<u>5,258</u>	<u>1,345</u>	<u>3,913</u>
<u>Total Current Liabilities</u>	<u>5,258</u>	<u>1,345</u>	<u>3,913</u>
<u>Fund Balance</u>	<u>134,011</u>	<u>113,926</u>	<u>20,085</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$139,269</u>	<u>\$115,271</u>	<u>\$ 23,998</u>