This document is meant to be a guide when using the ZRSC Report. The guide shows you how to successfully manage your recharge by analyzing the columns within the report. It is to be used as a supplement to the ZRSC Instructions, which can be found on the Costing website. This document will assist you when you want to do the following:

- Determine Fund Balance
- Determine Tolerable Fund Balance
- Determine if your general service center operating fund is within tolerance
- Determine the amount of Depreciation to transfer to the Depreciation Recovery fund
- Determine the amount of Depreciation to transfer to the Depreciation Recovery fund (when a full year of depreciation had not posted)
- Determine if proper amount was transferred for Depreciation Expense into the Depreciation Recovery Fund for a FY
- Determine that Transfers In were for capital purchases ONLY
- Determine if the Recharge Subsidy was processed correctly

**Determine Fund Balance:**

Fund balance is equivalent to the balance of working capital (current assets less current liabilities). It eliminates the possibility of a falsely inflated fund balance due to fixed assets being included in the calculation of fund balance. Fund balance is calculated using the sum of the columns on the ZRSC report of Cash, Other Current Assets, and Liabilities. If we look at the print screen below, the columns used in the calculation are identified:

![Recharge Activity Print Screen](image-url)

**Quick Reference for Calculation of Fund Balance:**

- **Cash (A):** All 101xx G/L Commitment Items
- **CurRAsst (D):** Other Current Assets - Current assets other than cash (includes, Accounts Receivable, Inventory, etc).
- **Liab (C):** Liabilities - All 2 type G/L Commitment Items
- **A+D-C = Fund Activity:** Calculation of Fund Activity (Cash + Other Current Assets - Liabilities)
- **A + D + C = Fund Balance:** Calculation of Fund Balance (Cash + Other Current Assets + Liabilities)
Fund balance can be found on the ZRSC report (already calculated) as shown below:

You can see that the sum of the columns identified on the first print screen as being part of the calculation of fund balance equal the amount listed in the fund balance column:

\[
\begin{align*}
\text{Cash} & \quad + \quad \text{Other Current Assets} \quad + \quad (-\text{Liabilities}) \quad = \quad \text{Fund Balance} \\
-\$142,463 & \quad + \quad \$201,690 \quad + \quad (-\$4,379) \quad = \quad \$54,847
\end{align*}
\]
**Determine Tolerable Fund Balance:**

Tolerable fund balance for a general service center recharge ranges from 10% above or below two months of cash expenses (known as the general service center target fund balance). A fund balance outside of this range would be out of tolerance.

Firstly, let’s look at where we can find the tolerable fund balance range on the ZRSC Report. Tolerable fund balance will range from the number in the ‘TFB-Lower’ column to the number in the ‘TFB-Upper’ column.

TFB-Lower is 90% of the target fund balance of two months of cash expenses.  
TFB-Upper is 110% of the target fund balance of two months of cash expenses.
Now let's talk about where these numbers come from. The 'TFB-Target FB' column on the second page of the report is the target fund balance based on two months of cash expenses (depreciation and plant assets retired are non-cash expenses). This can be calculated using the ‘Annual Exp’, ‘Depr Exp’ and ‘PLA’ columns. Please see below:

<table>
<thead>
<tr>
<th>Column</th>
<th>Cash (A)</th>
<th>CurrAss (B)</th>
<th>Liab (C)</th>
<th>Fund Bal</th>
<th>TFB-Lower</th>
<th>TFB-Upper</th>
<th>Annual In</th>
<th>Annual Exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>22440430 Prime Lab 701</td>
<td>142,483</td>
<td>228,845</td>
<td>4,376</td>
<td>54,847</td>
<td>51,800</td>
<td>51,800</td>
<td>844,523</td>
<td>345,510</td>
</tr>
</tbody>
</table>

The 'Annual Exp' column has $386,875 of expenses for the year less 'Depr Exp' of $1,958 less 'PLA' of $0 for the year = $384,917 of Cash Expenses for the year. $384,917 multiplied by 2/12 (two months out of twelve months in the year) = Annual Cash Expenses

* 90%
* 110%

minus (Plant Assets Retired and Depreciation Expense)
a total of 12 months in the year) = $64,153 as a tolerable fund balance based on two months of annual expense.

Please note: The fields 'TFB-Lower' and 'TFB-Upper' will only work for calculating fund balance if you have a full year of expenses to base the values on (making them useful for the Annual Fund Balance Review). If you would like to estimate what the general service center’s in-tolerance fund balance will be, it is recommended that you run the report for the previous fiscal year, as the previous year’s values are usually a reasonable estimate for what the current year’s tolerable fund balance will be. Compare the values in the tolerable fund balance upper and lower limit to the fund balance within your recharge for the previous year to the fund balance calculated on the report for the current year.

**Determine if your general service center operating fund is within tolerance:**

When determining if fund balance is within tolerance for recharge centers, determine if the fund balance is within the fund balance tolerance zone (between the lower limit and upper limit of tolerable fund balance).

The fund balance tolerance zone for this general service center is from $51,684 to $63,169. Because the fund balance calculated on this report of $54,847 is within this fund balance tolerance zone, the general service center is within tolerance.
**Determine the amount of Depreciation to transfer to the Depreciation Recovery fund:**

There are two popular ways to transfer depreciation to the Depreciation Recovery Fund – annually or monthly. Annually is the only way that is required, but if your dollars are significant, you may want to move them on a more frequent basis. Depreciation may also be moved on a quarterly basis, if that is what makes the most sense for your general service center.

If you want to move depreciation on an annual basis:

Run your ZRSC report for the entire fiscal year:

![Fund Balance Calc for Recharges: Selection](image)

Then use your page right button and determine the depreciation expense for the entire year:
Because Depreciation Expense for the year was $1,958 – that is the amount that should be transferred to the Depreciation Recovery Fund. The entry should look like this:

DR  FUND-COST CENTER (OPER RCHG)  59XXXX  $1,958
CR  FUND-COST CENTER (DEPR REC)  49XXXX  $1,958
If you want to move depreciation on a monthly basis:

Run your ZRSC report for one month at a time. The report below is run from Period 8 to Period 8 to get the monthly depreciation amount for February:

The output and the entry will be the same as for the annual entries, but based on the depreciation expense for just one month. Monthly entries for depreciation expenses are usually only recommended for general service centers with large amounts of capital equipment, and therefore large amounts of depreciation expenses hitting each month. If we were running the report to transfer depreciation on a quarterly basis, we would run the report from Period 0 to Period 3 for the first quarter, from period 4 to period 6 for the second quarter, etc.

**Determine the amount of Depreciation to transfer to the Depreciation Recovery fund (when a full year of depreciation had not posted):**

Now let’s assume that it is June 1, 2010 and we want to transfer depreciation for the entire year of 2010 so our fund balance will be in order for the Annual Fund Balance Review. Depreciation for the month of June will not post until the 30th (or the last working day of the month). We can assume that the depreciation expense that will hit June 30 will be approximately equal to the depreciation that has hit every other month of the current year, as long as there have been no huge equipment purchases mid-year.
Run your ZRSC Report from Period 0 to Period 11:

The output would appear as follows:

Depreciation Expense YTD is $1,958. If we determine how much depreciation there is per month, we can estimate the depreciation expense for the entire year. To get a per month factor, we will divide the current depreciation expense by the number of months in which the depreciation has posted (in this case 11), and then multiply by the total number of months in one year. For this example, we’ll take the $1,958 of depreciation expense divided by a total of 11 months that have occurred, and multiply by 10 total months in a year. $1,958 / 11 months * 12 months = $2,136.
Determine if proper amount was transferred for Depreciation Expense into the Depreciation Recovery Fund for a FY:

Transfers out should ideally only be for transfers from our general service center operating fund to the depreciation recovery fund. Therefore, we can determine if the proper amount was transferred for depreciation at year end by comparing the two columns.

These numbers are pretty close, but transfers out are higher than depreciation expense for the year, which may indicate a problem. There are occasionally charges for work orders done for Physical Facilities that hit the transfer G/Ls, and that would be a reconciling item.

Another example of a reconciling item would be if the general service center forgot to transfer their depreciation in the previous fiscal year, and corrected that mistake in the current fiscal year. If there is a discrepancy between these columns, please take a look at your GR55 Z100 to determine what is within those transfer G/Ls and make sure that difference can be explained easily. Be prepared for the Costing Office to ask why there is a discrepancy between transfers out and depreciation expense when doing the Annual Fund Balance Review.
Determine that Transfers In were for capital purchases ONLY:

Transfers In to a general service center operating fund should be for capital purchases only. The funds for a capital purchase should come from either a depreciation recovery account (if depreciation has been recovered through the rate in previous years) or from an outside funding source (for initial purchases). Subsidies for a general service center operating fund require the use of specific G/L accounts, as mentioned in the next section of this document. Do not use transfer G/L accounts (49-types and 59-types) to process general service center subsidies.

The following is an example of a new general service center that was set up. The initial funding for the purchase of the capital equipment came from outside funds and was transferred into the general service center. Therefore, the ‘Transfers In’ column and the ‘CptlAssts’ column are equivalent to each other.

If there were already assets within the center, the Transfer In should be equivalent to the new equipment purchased within the fiscal year.

Process of a Subsidy:

A subsidy is necessary when a general service center has a deficit that causes the center to be out of tolerance, and the center is not expected to recoup the deficit through the rate. The subsidy may be processed continually throughout the fiscal year by charging the subsidy account on the monthly intramural invoice voucher, using a set rate per unit for each subsidized departmental transaction. Alternatively, the subsidy may be billed to the subsidizing account on a special intramural invoice voucher periodically or even just once a year.

When a subsidy is processed, debit the funding source using G/L account 523110 (Recharge Subsidy) and credit the general service center operations account using G/L account 433080 (Recharge Subsidy Income).
The subsidy will appear in your ZRSC Report as follows:

If the manager of the general service center knows that a subsidy was processed, but does not see the subsidy in the ZRSC report, then the proper G/L account was not used on the document and the document should be corrected. Because this is not a transfer using the transfer G/L account (49-type and 59-type G/Ls), an FMBB document is not required to be processed.