

# ADMINISTRATIVE PROCEDURES



Procedure Number: 22-23

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*C. Deeb*  
County Administrator

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**SUBJECT: PREPAYMENTS**

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**DEPARTMENT RESPONSIBLE: All County Departments**

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## 1. STATEMENT

Invoices paid for goods and services not yet received should be recorded as a prepaid asset instead of an expense. When coding the invoice, the Payment Request document or the contract release, the current year's costs and the future year's costs are to be split using the appropriate object code for the current year's costs and appropriate prepaid balance sheet account for the future year's costs.

## 2. DEFINITIONS

Prepayments are expenses which are paid in the current fiscal year but the economic benefits are partially or wholly derived in the subsequent fiscal year.

Example:

A one-year service agreement covering the time period of May 1, 2011, thru April 30, 2012, is fully paid on May 1, 2011, in the amount of \$60,000. Since the new fiscal year starts on July 1, when recording the transaction in May, two months of this expense or \$10,000 will be booked to an expense and the remaining amount or \$50,000 will be booked to the prepayment (asset) account. In July, 2012, \$50,000 will be credited to the prepaid asset account, and debited to the expense account.

## 3. PROCEDURE

Finance will process prepayments in the following manner:

### A. Prepaid Subscriptions & Memberships (does not apply to software)

These will be expensed in the fiscal year in which they are processed by Accounts Payable.

B. All Other Prepayments (including software)

1. If the prepayment amount is less than \$1,000.00, the total amount of the invoice will be expensed when processed.
2. If the prepayment totals \$1,000.00 or more, it will be split between fiscal years.