

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-23

Effective Date: 12/29/1998

Revision Date: 07/11/2006

C. DeMott
County Administrator

SUBJECT: **PREPAYMENTS**

DEPARTMENT RESPONSIBLE: **All County Departments**

I. STATEMENT

Invoices paid for benefits not yet received should be recorded as a prepaid asset instead of an expense. When coding the CLAIM AGAINST PIMA COUNTY or the Blanket to PO release, the current year's costs and the future year's costs are to be split using the appropriate expense code for the current year's costs and Expense Code 17001 for the future year's costs.

II. 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, 2006, thru April 30, 2007, is fully paid on May 1, 2006, 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 account and the remaining amount or \$50,000 will be booked to the prepayment (asset) account, 17001. In July, 2006, \$50,000 will be credited to the prepaid asset account, 17001, and debited to the expense account.

III. PROCEDURE

Finance will process prepayments in the following manner:

A. Travel Advances

If the entire trip takes place in the next fiscal year, Accounts Payable will record it as a prepaid expense. In July of the following fiscal year or as soon as possible thereafter, a Cost Transfer will be processed by Accounts Payable to credit the prepaid asset account and debit the appropriate expense account.

If the trip crosses fiscal years, Accounts Payable will split the cost between fiscal years. The cost attributed to the current year will be expensed. The remainder will be recorded as a prepaid asset. In July of the following fiscal year or as soon as possible thereafter, a Cost Transfer will be processed by Accounts Payable to credit the prepaid asset account and debit the appropriate expense account.

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

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

C. All Other Prepayments

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. On the CLAIM AGAINST PIMA COUNTY or on either the Default Account or the Line Item Detail Account of the Blanket to PO release, the department should record the current year's benefits as an expense and the benefits that apply to future fiscal years should be recorded as a prepaid asset. In July of the following fiscal year or as soon as possible thereafter, a Cost Transfer will be processed by Accounts Payable to credit the prepaid asset account for the benefit amount that applies to the new fiscal year and debit the appropriate expense account.