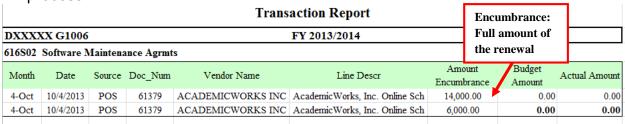


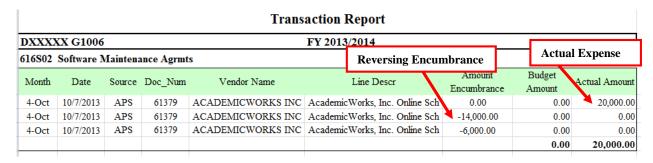
Prepaids are expenditures for goods and services, such as subscriptions, licenses, memberships, etc., determined to have a portion prepaid for a future fiscal year. When it is determined an expenditure has been paid and recorded in advance of its use or consumption it represents expenses of a future period and classified as a Prepaid.

Below is step by step detail of the process for recording the transaction and the related prepaid expense. In the example below, fiscal year 2013/2014 is the current year.

First, the full amount of the renewal is encumbered through the Requisition/PO process.

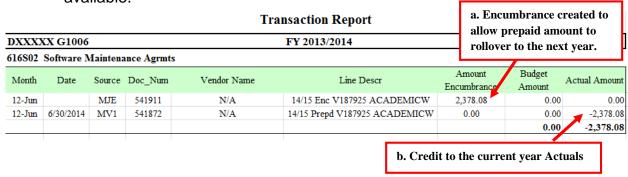


2. The invoice for the renewal is received and paid, reversing the encumbrance, and posting the actual expense.

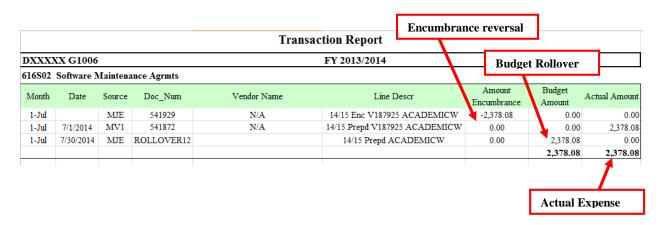


3. The transaction is analyzed by Financial Accounting & Reporting to identify the prepaid portion. In the example provided the renewal term was 9/1/13 – 8/31/14. The one year contract was paid in full in the current fiscal year. The portion from 7/1/14 – 8/31/14 is part of the next fiscal year so it is considered prepaid.

- 4. To separate the prepaid portion, two journal entries are recorded in the current fiscal year.
 - a. The first creates an encumbrance for the prepaid amount allowing it to be included in the department's budget rollover for the next year.
 - b. The second posts a credit reducing the current year actuals by the prepaid amount. This creates a net zero adjustment to the department's balance available.



5. In the next fiscal year, 2013-2014, the Budget ROLLOVER is posted to move the prepaid amount forward. The encumbrance is reversed and the actual expense is posted. The two months portion of the software from 7/1/14 – 8/31/14 is now expensed in the same year as the service was provided. These three transactions result in a net zero adjustment to the department's budget balance available in the new fiscal year.



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