# 85.58 Prepaid Expenses



## 85.58.10 Prepaid expenses

Nov. 1, 2025

### 85.58.10.a

Prepaid expenses are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period. In Washington, because goods and services generally must be received prior to payment, prepaid expenses will be limited.

Examples of prepaid expenses that may be acquired include insurance, maintenance services contracts, Washington State Good to Go toll accounts and Wave 2 Go prepaid fares, postage, books, and periodicals. Refer to Subsection 85.32.50.b, .c, .d, and .e.

### 85.58.10.b

In governmental fund type accounts, prepaid expenses are generally accounted for using the purchases method. Under the purchases method, prepaid expenses are treated as expenditures when purchased rather than accounted for as an asset.

### 85.58.10.c

Prepaid expenses are recorded as assets in proprietary and fiduciary fund type accounts. Refer to Subsection 85.65.50.a for an illustrative entry. The portion of supplies or services consumed or used during a period is recorded as an expense. Refer to Subsection 85.65.50.b for an illustrative entry. The balance that remains is reported as an asset in GL Code 1510 "Prepaid Expenses" until consumed or used.