GASB 87 – Agency Lease Accounting Checklist

☐ Agency enters into a lease of more than 12 months for land, buildings, equipment, machinery or vehicles.
   o This includes all payments with a base rent.
   o Keep in mind service agreements containing a separate line for rent.

☐ An amortization schedule is created (if not provided by lessor) showing the monthly split between principal and interest. At a minimum, this should be shared with:
   o Shopping cart creator
   o Asset custodian
   o Procurement
   o Accounts Payable
   o Person/department assigned with monitoring lease process

☐ Create shopping cart.
   o In the Account Assignment tab, at least two lines should be created: one for principle and one for interest.
   o The asset is NOT assigned to the shopping cart.

☐ Procurement creates the PO.
   o Important: select PO document type ZCAP – Capital Lease PO
   o Uncheck goods receipt/confirmation
   o Review account assignment
   o Attach contract/Lease master data
   o Attach amortization schedule
   o Again, asset is not on the capital lease PO

☐ Asset shell is created using AS01.
   o Asset class depends on intent to retain asset at the end of the lease
   o Leasing tab must be completed for the main asset and left blank for all sub assets
   o Depreciation Areas - do not change useful life if low value asset

☐ Capitalize Asset using the ABZON transaction.
   o Capitalize only the sum of the principal payments
   o Offsetting account number should be 5060999997
   o Transaction type is ZDO
   o Note document number and review using FB03

☐ Run report S_ALR_87010141 – Liabilities from Leasing Agreements
   o Click the [+] to view all available prompt selections
   o Choose a report date 30 years from current date to capture all future payments
   o Confirm liability are equal to the total annual payment by asset

☐ Pay invoices as set in the agreement
   o The periodic payment remains the same, the split between principle and interest will change with each payment based on the amortization schedule.
   o A/P approvers should be ensuring that there are at least two lines for each lease invoice – one for principle and one for interest.
   o A copy of the amortization schedule must be attached as supporting documentation for approval by the CG’s audit department.
   o Comptroller General AP will not process payments without the proper amounts coded to principal and interest as well as having the amortization schedule attached to the voucher

☐ Monthly monitoring of open PO’s to ensure all have:
   o Correct document type
   o Correct split between principal and interest

☐ Retire assets at the end of the lease term.
   o Transfer from lease to non-lease asset class if initial intent was to return at end of lease but agency decides to keep asset.