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**MEMORANDUM**

**TO:** Chief Fiscal Officers  
Othni Lathram, Legislative Services Agency  
Matt Richards, Examiners of Public Accounts  
Doryan Carlton, Executive Budget Office  
Kathie Lynch, Auditor's Office

**FROM:** Kathleen D. Baxter  
State Comptroller

A handwritten signature in black ink, appearing to read "KDB", is written over the name "Kathleen D. Baxter".

**DATE:** August 5, 2019

**RE:** FY2020 and FY2021 Object coding changes for Rentals and Leases including sub-object

Effective for the 2020 Fiscal Year, capital lease purchases financed with third party financial institutions should be coded to 1501 and 1502 instead of the 0600 object category codes. Also, sub-object codes will be required for some of the rental and lease payments effective for the 2020 Fiscal Year. If your agency has documents that are interfaced to STAARS, please plan for sub-object code requirements and communicate this change with your IT department. However, the sub-object will not be used on purchase orders. The changes to the object definitions and the new sub-object codes are as follows:

1501 Principal - Payment of principal amounts on bond or note indebtedness including capital lease purchases financed with third party financial institutions.

1502 Interest - The amount of interest paid on debt including capital lease purchases financed with third party financial institutions.

0602 Buildings, Office Space - Rentals and leases of buildings and appurtenances for office space.

Sub-object codes for 0602:

01 - Base rent (for payments only, do not use on purchase orders)

02 - Ancillary charges – extra charges such as utilities, maintenance, and insurance that aren't rent for the use of the building or office space (for payments only, do not use on purchase orders)

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0606 Printing/Reproduction/Photographic Equipment - Renting or leasing printing, reproduction, or photographic equipment.

Sub-object codes for 0606:

01 - Base Rent (for payments only, do not use on purchase orders)

02 - Ancillary charges – extra charges such as excess copy charges that aren't minimum lease payments (for payments only, do not use on purchase orders)

0663 Buildings- Capital Lease Principal Payments - The principal portion of payments for buildings under capital leases. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0664 Office Furniture & Equipment - Capital Lease Principal Payment - The principal portion of payments for office furniture and equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0665 Automobiles- Capital Lease Principal Payments - The principal portion of payments for automobiles being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0666 Boats/Marine Capital Lease Principal Payments - The principal portion of payments for boats or marine equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0667 Heavy Equipment Capital Lease Principal Payments - The principal portion of payments for heavy equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0668 Aircraft Capital Lease Principal Payments - The principal portion of payments for aircraft being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0669 Data Processing Capital Lease Principal Payments - The principal portion of payments for data processing equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0670 Printing/Reproduction/Photographic Equipment Capital Lease Principal Payment - The principal portion of payments for printing, reproduction, or photographic equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

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0671 Communication Equipment Capital Lease Principal Payments - The principal portion of payments for communication equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0672 Scientific/Technical Capital Lease Principal Payments - The principal portion of payments for scientific or technical equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0687 Other Transport Equipment Capital Lease Principal Payment - The principal portions of payments for other transportation equipment not otherwise classified that are being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0688 Other Equipment Capital Lease Principal Payment - The principal portions of payments for other equipment being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0689 Other Fixed Assets Capital Lease Principal Payment - The principal portion of payments for other fixed assets not otherwise classified that are being acquired through capital lease. However, the principal portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1501.

0690 Interest Payments On Capital Lease - The interest portions of capital lease payments, regardless of the type of asset. However, the interest portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1502.

Payments coded to the 13<sup>th</sup> period of FY19 can continue to be coded the same as they have been for FY19.

Effective for the 2021 Fiscal Year, further changes will be made to object category 0600 Rentals and Leases to comply with GASB 87. No changes between object categories for rental and lease payments is anticipated beyond those outlined above for the 2020 Fiscal Year. There will be another memo in the spring of 2020 with details of the FY21 changes within object category 0600 Rentals and Leases.

Please notify the appropriate persons in your organization. If you have any questions, please contact Serena McMurtrey at [serena.mcmurtrey@comptroller.alabama.gov](mailto:serena.mcmurtrey@comptroller.alabama.gov) or 334-242-2275.

KDB/sm

cc: All Comptroller Supervisors