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**MEMORANDUM**

TO: All Accounting Contacts

FROM: Kathleen D. Baxter  
State Comptroller 

Date: June 28, 2022

SUBJECT: Office and Building Space Leases

The Office of the State Comptroller – Financial Reporting Section (Financial Reporting) will implement *Governmental Accounting Standards Board (GASB) Statement 87, Leases*, for the Fiscal Year Ended September 30, 2022, Annual Comprehensive Financial Report (ACFR). This statement is meant to improve accounting and financial reporting for leases by governments.

This statement requires identifying several components of the lease including the lease term. GASB defines the lease term as the period during which a lessee has a noncancelable right to use the underlying asset, plus the following periods, if applicable:

- a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

Unless there is evidence to the contrary, the default position is the lease term will include all option periods.

Beginning August 1, 2022, all payments for leases coded to Object 0602 must use one of the cloned “L1” documents (GAXL1, GAXL1I, ITAL1, etc). These documents will reference a **Debt ID** which will be used to acquire information related to the specific lease. All Object 0602 lease payments must have a valid **Debt ID** referenced in the **Debt ID** field on the **Accounting Line** under the **Reference** tab.

*Note: There will not be an “L” document for PCard payments, but the **Debt ID** must still be used.*

To initially set up each lease in STAARS, departments must provide the requested information (see attached lease schedule example) for each lease coded to object 0602. Financial Reporting will prepare and record all office and building space lease schedules. Please provide the requested information for each lease by August 1, 2022.

Please ensure that the appropriate persons in your organization have been made aware of this new requirement. If you have any questions, please contact Rick Thomas at [rick.thomas@comptroller.alabama.gov](mailto:rick.thomas@comptroller.alabama.gov) or 334-353-1612.