**State of New Mexico**

**GASB 87 – Guidance**

# Fiscal Years 2026 and Subsequent Fiscal Years

## GASB 87 Threshold and Incremental Borrowing Rate (IBR)

To assess whether lease contracts meet the lease capitalization threshold.

## RTU lease contracts where the department is lessee:

An intangible RTU lease asset and lease liability should be calculated for contracts with **$5,000** or more in total future lease payments from the beginning of the lease term to the end of the lease term.

## RTU lease contracts where the department is lessor:

A lease receivable and deferred inflow of resources should be calculated for contracts with **$100,000** or more in total future lease payments from the beginning of the lease term to the end of the lease term.

## RTU Lease Contracts

IBR rates that were used for year 1 lease implementation shall be applied to year 2 and continue to the end of the lease term (or termination of lease date).

- Agencies with leases that were not included as a RTU lease asset and met the current fiscal year threshold of $25,000 will result in a prior period adjustment/restatement in the current fiscal year financial statements, if the impact of the omission is material to the financial statements.
- The $5,000 threshold is for any new leases or amendments to existing leases.
- Leases that did not meet the threshold do not need to be added to the list because the change in policy is prospective.

## RTU Lease Contracts

Each year the New Mexico Department of Finance and Administration (DFA) Budget Division establishes the Incremental Borrowing Rate (IBR) to use for calculating the present value of the SBITA contract if the interest rate is not implied in the contract. Apply the current fiscal year IBR rate to new leases entered into for the first year of the lease through the end of the lease term.

- New leases entered into from the date the lease begins, if after the beginning of the fiscal year, should be included as RTU Lease additions for that particular fiscal year.
- Amendments/modifications to existing leases entered into at the beginning of the fiscal year should be included as an RTU Lease addition for that particular fiscal year.

The GASB 87 Scope Guide is available to determine whether the lease is within the scope of GASB 87 using a threshold of $5,000.

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## State of New Mexico Schedule of Incremental Borrowing Rate's (IBR):

The updated Schedule of IBR will be updated annually and posted on the DFA website under the GASB Implementation Resources page of the website.


## SCENARIOS

Lease A $10,000:

- Less than Fiscal Year 2022 $25,000 threshold.
- Not included as a RTU lease at June 30, 2022.
- July 1, 2022, **Amendment** to Lease A for $15,000.
- Now Meets Fiscal Year 2023 $5,000 threshold because of the amendment.
- Include as a RTU lease as an addition.

Lease B $10,000:

- Less than Fiscal Year 2022 $25,000 threshold.
- Not included as a RTU lease at June 30, 2022.
- July 1, 2022, **NO** amendments, **NO** changes to terms.
- Do not include as a RTU in Fiscal Year 2023 because it did not meet the $25,000 in Fiscal Year 2022 and will not be required to be included as a RTU even though it exceeds the Fiscal Year 2023 threshold.

Lease C: New lease July 1, 2022 for $10,000.

- Meets Fiscal Year 2023 $5,000 threshold.
- Include as a RTU lease as an addition.

Lease D $50,000:

- Meets Fiscal Year 2022 $25,000 threshold.
- Lease incorrectly omitted in Fiscal Year 2022.
- Evaluate the impact of the omission. Is it material? Does it require an adjustment/restatement in the Fiscal Year 2023 financial statements? Discuss with IPA and DFA.