

State of New Mexico
GASB 87 – Guidance (Year 4)
Fiscal Year 2025

GASB 87 Year 4-Threshold and 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 July 1, 2024 (or the date the lease begins if after July 1, 2024) 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 July 1, 2024 (or the date the lease begins if after July 1, 2025) to the end of the lease term.

RTU lease contracts Year 4

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 FY24 threshold of \$25,000 will result in a prior period adjustment/restatement in the 2025 financial statements, if the impact of the omission is material to the financial statements.
- The \$5,000 threshold is applied effective July 1, 2022 for any new leases or amendments to existing leases.
- Leases that did not meet the threshold in FY22 do not need to be added to the list because the change in policy is prospective (FY23 and going forward).

RTU lease contracts Fiscal Year 2025

Fiscal Year 2025 IBR rate shall be applied to new leases entered into from July 1, 2024 (or the date the lease begins if after July 1, 2024) to the end of the lease term.

- New leases entered into from July 1, 2024 (or the date the lease begins if after July 1, 2024) should be included as an RTU Lease addition in FY2025.
- Amendments/modifications to existing leases entered into from July 1, 2024 (or the date the lease begins after July 1, 2024) should be included as an RTU Lease addition.

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GASB 87 – Guidance (Year 4)
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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.

State of New Mexico Schedule of IBR's:

<https://www.nmdfa.state.nm.us/financial-control/gasb-87-resources/>

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.

GASB 87 Scope Guide

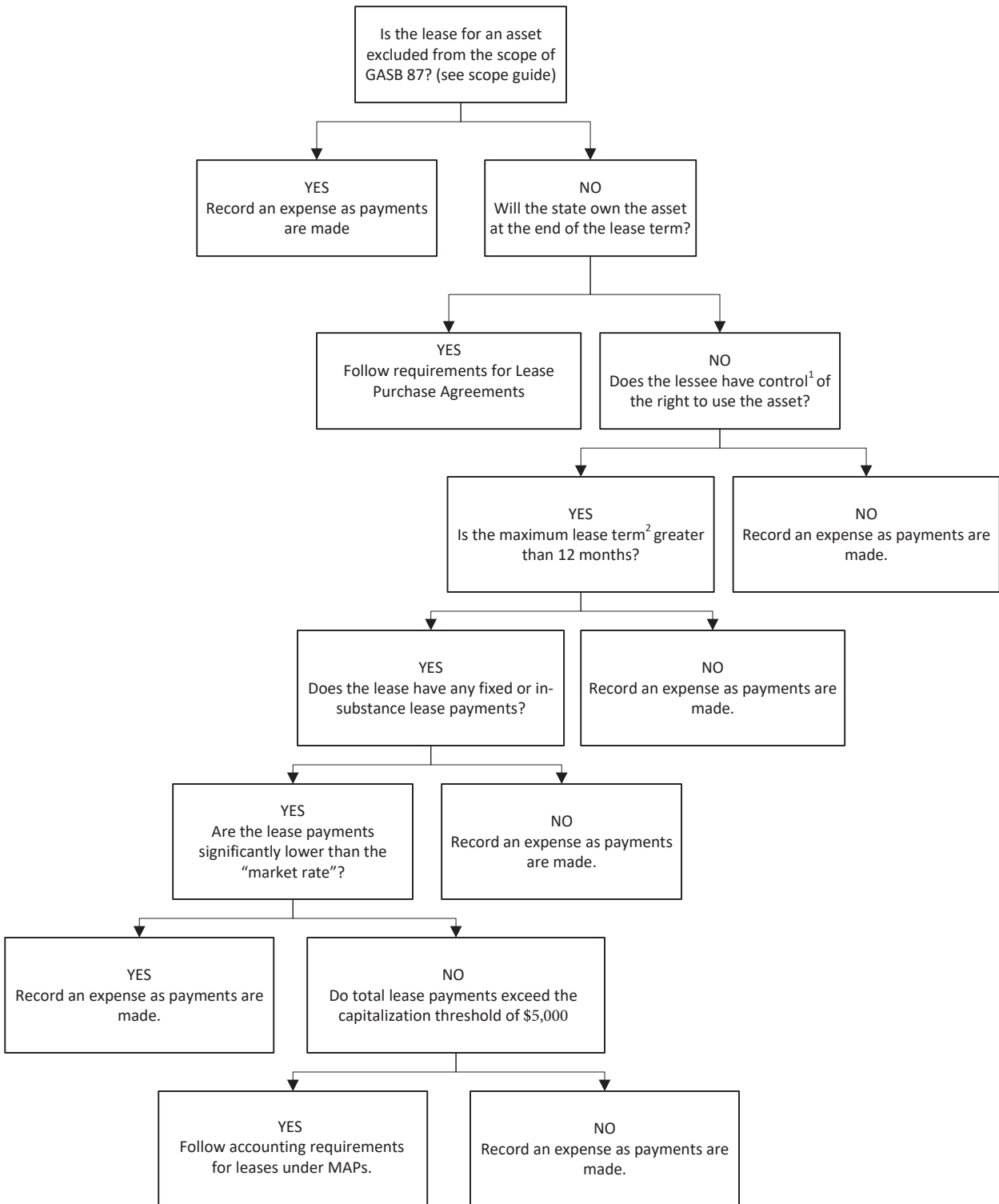
Purpose: To help you determine whether the lease is within the scope of GASB 87, answering the first question of the [Lease Accounting Decision Tree](#).

Type of Lease	Included?	GASB 87 Reference/Explanation
Agricultural Leases (crops, orchards, etc.)	Yes	
Air space	No	Excluded paragraph 8(a)
Biological assets (living plants, timber, animals)	No	Specifically excluded paragraph 8(b)
Buildings & Structures	Yes	
Cell Towers	Yes	
Computer Software	No	Specifically excluded paragraph 8(a)
Computers	Yes	
Contracts that transfer ownership	No	Report as a financed purchase per paragraph 19
Copy Machines	Yes	
Equipment (postage, medical, etc.)	Yes	
Grazing leases	No	
Hunting permits	No	Lessee does not have "control of the right to use".
Inventory	No	Specifically excluded paragraph 8(c)
Land used by a single entity	Yes	
Land used by multiple entities	No	Lessee does not have "control of the right to use".
Land Easements	Maybe	Follow decision tree. Many of these leases may not meet the "conveys control fo the right to use" criterion.
Machinery	Yes	
Mining (rights to explore for or to exploit natural resources such as oil, gas, and minerals)	No	Specifically excluded paragraph 8(a)
Patents, Copyrights, Licensing Contracts for Video Recordings, Plays, Manuscripts, and Motion Picture Films	No	Specifically excluded paragraph 8(a)
Right-of-Way	Maybe	Follow decision tree. Many of these leases may not meet the "conveys control fo the right to use" criterion.
Road Use Permits	No	Lessee does not have "control of the right to use".
Service Concession Arrangements	No	Specifically excluded paragraph 8(d), account for under GASB No. 60
Supply contracts (power purchase agreements)	No	Specifically excluded paragraph 8(f)
Vehicles	Yes	Follow decision tree.

Note: This only applies to assets leased to or from non-state agencies. Leases between state agencies should be recorded as an expense or revenue when the payment is made or received.

Lease Accounting Decision Tree for Lessees

For assets leased from a non-state agency.



¹ A contract conveys control of the right to use the asset when the lessee is provided both

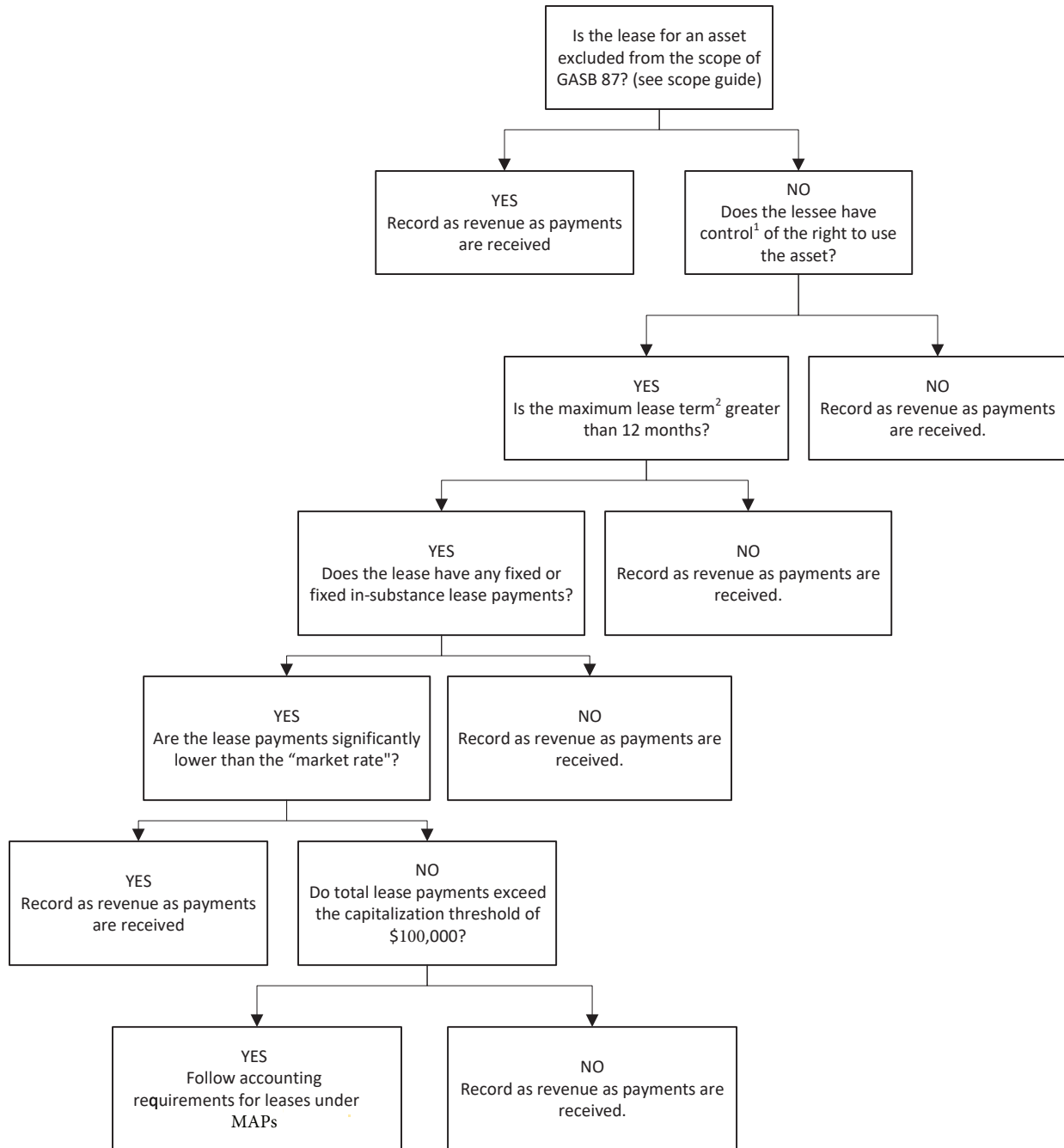
1. The right to determine the nature and manner of use of the asset, and
2. The right to obtain service level capacity from use of the asset

² Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor’s option to:

- Extend the lease if it is reasonably certain the option will be exercised or
- Terminate the lease if it reasonably certain that the option will not be exercised.

Lease Accounting Decision Tree for Lessors

For assets leased to an outside entity (non-state agency).



¹ A contract conveys control of the right to use the asset when the lessee is provided both

1. The right to determine the nature and manner of use of the asset, and
2. The right to obtain service level capacity from use of the asset

² Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor’s option to:

- Extend the lease if it is reasonably certain the option will be exercised or
- Terminate the lease if it reasonably certain that the option will not be exercised.

Account	Status	Descr	Short Desc	Type	Eff Date
139500	A	Lease Receivables	LeaseAR	A	7/1/2021
139501	A	Lease Receivables - LT	LeaseARLT	A	7/1/2021
189000	A	LeasedNon-Depr Assets	LA NonDepr	A	7/1/2021
189010	A	LeasedNon-Depr-Land	LA ND Land	A	7/1/2021
189020	A	LeasedNon-Depr-Land Impr	LA ND LImp	A	7/1/2021
189030	A	LeasedNon-Depr-Mineral Rights	LA ND MinR	A	7/1/2021
189040	A	LeasedNon-Depr-Art and Other	LA ND Art&	A	7/1/2021
189050	A	LeasedNon-Depr-Infras	LA ND Infr	A	7/1/2021
189500	A	LeasedDepr Assets	LA Dep Ast	A	7/1/2021
189510	A	LeasedDepr-Land Impr	LA LandImp	A	7/1/2021
189520	A	LeasedDepr-Bldg & Imp	LABldg&Imp	A	7/1/2021
189530	A	Leased-Depr-Infrastructure	LAInfrastr	A	7/1/2021
189540	A	LeasedDepr-Airc, Auto& Trucks	LA AirA&Tr	A	7/1/2021
189550	A	LeaseDepr-Equip & Mach	LA Eq&Mach	A	7/1/2021
189560	A	LeasedDepr-Info Tech	LAInfoTech	A	7/1/2021
189570	A	LeasedDepr-Furn & Fixtures	LAFurn&Fix	A	7/1/2021
189580	A	LeasedDepr-Library Books	LA Library	A	7/1/2021
192000	A	Accum Depr-Leased Assets	AD LAssets	A	7/1/2021
192010	A	Amort-LeaseLandImprov	AmLALL&Imp	A	7/1/2021
192020	A	Amort-Assets-Bldg & Imp	Am LA Bldg	A	7/1/2021
192030	A	Amort-LeaseInfrastructure	Am LA Infr	A	7/1/2021
192040	A	Amort-Lease-Airc, Auto&Truck	Am LA AA&T	A	7/1/2021
192050	A	Amort-Leased-Equip&Mach	AmLA Eq&Ma	A	7/1/2021
192060	A	Amort-Leased-Info Tech	Am LAInfoT	A	7/1/2021
192070	A	Amort-Leased-Furn & Fix	Am LAF&Fix	A	7/1/2021
192080	A	Amort-Leased-Libr Books	Am LA Libr	A	7/1/2021
275000	A	Lease Liability ST	LeaLiabs/t	L	7/1/2021
275001	A	Lease Liability LT	LeaLiabl/t	L	7/1/2021
299990	A	Deferred Inflow-Lease	LeasDefl/F	L	7/1/2021
441500	A	Interest Earned on Lease	Lease intr	R	7/1/2021
442101	A	Land - Rental Or Lease	Land Rent1	R	1/1/1951
442102	A	Land - Rental Or Lease	Land Rent2	R	1/1/1951
442103	A	Land - Rental Or Lease	Land Rent3	R	1/1/1951
442200	A	Lease Revenue	LeaseReven	R	7/1/2021
442201	A	Building - Rental Or Lease	Bldg Rent1	R	1/1/1951
442203	A	Building - Rental Or Lease	Bldg Rent3	R	1/1/1951
442204	A	Equipment - Rental Or Lease	LeaseEquip	R	7/1/2021
442205	A	Vehicle - Rental Or Lease	LeaseVehic	R	7/1/2021
499880	A	O/F Sources-Lease Financing	OFS Lease	R	7/1/2021
547700	A	Debt Service-Principal	Debt Prin	E	1/1/1951
547700	A	Debt Service-Principal	Debt Prin	E	7/1/2014
547730	A	Lease Principal Payment	LP Pymt	E	7/1/2021
548882	A	Lease Interest	LeaseInter	E	7/1/2021
561880	A	New Lease Contract EXP	LeaseContr	E	7/1/2021
568880	A	Amortization EXP-RUA	LeaseAmort	E	7/1/2021