

## GASB 87 - Implicit Interest Rates for Machinery and Equipment

**Effective 07/01/2024**, the implicit interest rate for Machinery and Equipment will follow the rate as determined in the statewide contract with Ontario Investments Inc.

**Implicit Interest Rate = Bank Prime Rate effective at Commencement of Lease Term + Applicable Lease Spread**

Bank prime loan rate can be located on the [Federal Reserve website](#).

Lease Spread (effective for leases commencing **after** 07/01/2024)

Term/Payment Schedule	Paid Annually in Advance	Paid Monthly In Arrears
3 years (36 months)	3.00%	3.10%
4 years (48 months)	5.00%	5.10%
5 years (60 months)	6.00%	6.10%

Example: The Bank Prime rate effective as of 07/01/2024 is 8.5%. If a 5-year copier lease paid monthly commences on 07/01/2024, the implicit interest rate would be:

$$14.6\% = 8.5\% \text{ Bank Prime Rate} + 6.10\% \text{ Applicable Lease Spread}$$

**Prior to 07/01/2024** the Machinery and Equipment implicit rate was based on the Presidio Technology Capital, LLC statewide contract.

**Implicit Interest Rate = Bank Prime Rate effective at Commencement of Lease Term + Applicable Lease Spread**

Lease Spread (effective for leases commencing **before** 07/01/2024)

Term/Payment Schedule	Paid Annually in Advance	Paid Monthly In Arrears
3 years (36 months)	1.716837%	1.786767%
4 years (48 months)	1.858477%	1.909964%
5 years (60 months)	1.968915%	2.011510%

\*Effective thru FY2031