



# Monterey County

**Item No.53**

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: 22-344**

**June 07, 2022**

**Introduced:** 4/14/2022

**Current Status:** General Government -  
Consent

**Version:** 1

**Matter Type:** General Agenda Item

- a. Approve and authorize the Auditor-Controller to sign a Renewal Sales Order with LeaseQuery, LLC, applying the terms and conditions of the parties' previously Board-approved Subscription Agreement ("Agreement") dated March 23, 2021, for a software tool for analysis of County's real property and other types of leases in compliance with Governmental Accounting Standards Board (GASB) Statement No. 87, extending the agreement for an additional one-year term (retroactive to March 23, 2022 through March 22, 2023), for a revised total agreement term of March 23, 2021 through March 22, 2023, and adding \$2,455 for a total agreement liability of \$59,355; and
- b. Authorize the Auditor-Controller to amend the total liability of the Agreement by no more than ten percent (10%) (\$5,690) of the original cost of the Agreement.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Auditor-Controller to sign a Renewal Sales Order with LeaseQuery, LLC, applying the terms and conditions of the parties' previously Board-approved Subscription Agreement ("Agreement") dated March 23, 2021, for a software tool for analysis of County's real property and other types of leases in compliance with Governmental Accounting Standards Board (GASB) Statement No. 87, extending the agreement for an additional one-year term (retroactive to March 23, 2022 through March 22, 2023), for a revised total agreement term of March 23, 2021 through March 22, 2023, and adding \$2,455 for a total agreement liability of \$59,355; and
- b. Authorize the Auditor-Controller to amend the total liability of the Agreement by no more than ten percent (10%) (\$5,690) of the original cost of the Agreement.

### SUMMARY/DISCUSSION:

The office of the Auditor-Controller (ACO) is charged with ensuring the County's Annual Comprehensive Financial Report (ACFR) complies with the principles as set forth by the Governmental Accounting Standards Board (GASB). GASB is the governing body that issues accounting and financial reporting standards for state and local governments. Complying with GASB is mandated but also is a requirement for the County to continue receiving a clean (unmodified) opinion on the ACFR from the external auditor, and the Certificate of Achievement for Excellence in Financial Reporting award, both of which are vital to County's credit rating.

GASB issued Statement No. 87 - Leases which had an effective date of July 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease

assets and liabilities for leases that previously were classified as operating and capital leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To achieve accurate and timely compliance with the standard on an ongoing basis, the County must rely on maintaining software that will retain documentation, calculate, account for, and report the amortization and other necessary schedules related to each lease held by County departments. Our current ERP System continues to be incapable of supporting GASB 87 financial reporting requirements.

The ACO began implementation efforts with LeaseQuery in April 2021. Lease contracts were gathered from County departments. For successful implementation, each of these leases were reviewed for required information (i.e. inception date, payment amounts, possession date, in arrears payment terms, annual escalation, discount rate etc.) and compiled for the calculations and footnote disclosures. Those lease contracts that fell within the scope of GASB 87 were uploaded to LeaseQuery. ACO is seeking to renew the subscription contract annually with LeaseQuery. The subscription fees are quoted to be \$24,255 per Sales Order attached.

LeaseQuery software will continue to assist the County departments and the ACO staff in complying with the GASB 87 requirements. The software will retain audit trail, documentation, calculations for the leases and necessary footnote disclosures for the financial statements. It will create efficiencies by eliminating manual ongoing calculations for each lease held by County departments and by creating a central repository for all the calculations and schedules. The software will consolidate all the lease information and provide consolidated disclosures and compliance reports which will be used in by ACO staff when developing County's CAFR each fiscal year. LeaseQuery will support the accounting for leases countywide to ensure GASB No. 87 compliance as well as provide the necessary document retention for audit purposes.

#### OTHER AGENCY INVOLVEMENT:

County Counsel has approved the contract as to the legal form. The Information Technology Department has reviewed and approved the contract.

#### FINANCING:

ACO is seeking an increase of \$2,455 to the LeaseQuery agreement for a not to exceed total amount of \$59,355. There are enough appropriations and funding in the AOC FY 2021-22 Adopted Budget. There is no impact to the General Fund.

#### BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This proposed action will allow the Auditor-Controller's Office to promote accountability and

Legistar File Number: 22-344

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transparency while practicing efficient and effective resource management.

Check the related Board of Supervisors Strategic Initiatives:

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

Prepared by: Erika Martinez, CGFM, Chief Deputy Auditor-Controller, 755-5337

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*Burcu Mousa*

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Attachments:

Board Report

Renewal LeaseQuery LLC

GASB Statement No. 87 Summary