



County of Monterey

Item No.

Board Report

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

Legistar File Number: 23-249

April 18, 2023

Introduced: 3/16/2023

Current Status: Agenda Ready

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 and No. 96, extending the agreement for an additional one-year term (retroactive to March 24, 2023 through March 23, 2024), for a revised total agreement term of March 23, 2021 through March 23, 2024, and adding \$29,784 for a total agreement liability of \$89,139; and
- b. Authorize the Auditor-Controller to sign future amendments to this Agreement where the amendment do not significantly change the scope of work and do not cause an increase of more than ten percent (10%) (\$5,690) of the original contract amount.

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 and No. 96, extending the agreement for an additional one-year term (retroactive to March 24, 2023 through March 23, 2024), for a revised total agreement term of March 23, 2021 through March 23, 2024, and adding \$29,784 for a total agreement liability of \$89,139; and
- b. Authorize the Auditor-Controller to sign future amendments to this Agreement where the amendment do not significantly change the scope of work and do not cause an increase of more than ten percent (10%) (\$5,690) of the original contract amount.

SUMMARY/DISCUSSION:

The Auditor-Controller's Office (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.

GASB issued Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs) which had an effective date of July 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

To achieve accurate and timely compliance with both standards 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 and SBITA record held by County departments. Our current ERP System continues to be incapable of supporting GASB 87 and GASB 96 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 and GASB 96 were uploaded to LeaseQuery. GASB No. 87 implementation has been completed and incorporated into the County's ACFR for FY 2021-22 and the ACO will now commence implementation efforts for GASB No. 96. ACO is seeking to renew the subscription contract annually with LeaseQuery. The subscription fees are quoted to be \$29,784 per Sales Order attached.

LeaseQuery software will continue to assist the County departments and the ACO staff in complying with the GASB 87 and GASB 96 requirements. The software retains 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 and SBITA record held by County departments and by creating a central repository for all the calculations and schedules. The software consolidates all the lease information and provides consolidated disclosures and compliance reports which is used by ACO staff when developing County's ACFR each fiscal year. LeaseQuery

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will continue to support the accounting for leases and SBITA records countywide to ensure compliance with GASB No. 87 and No. 96 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 \$29,784 to the LeaseQuery agreement for a not to exceed total amount of \$89,139. There are enough appropriations and funding in the ACO FY 2022-23 Adopted Budget.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This proposed action will allow the Auditor-Controller's Office to promote accountability and transparency while practicing efficient and effective resource management.

Mark a check to the related Board of Supervisors Strategic Initiatives

Economic Development
X Administration
Health & Human Services
Infrastructure
Public Safety

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Approved by: Burcu Mousa, CPA, Assistant Auditor-Controller, 755-5089

Attachments:

Board Report
Renewal LeaseQuery LLC
GASB Statement No. 87 Summary
GASB Statement No. 96 Summary

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Siomara Barajas, CPA

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