

City of Hesperia STAFF REPORT



DATE: August 2, 2022

TO: Mayor and Council Members
City Council, as Successor Agency to the Hesperia Community Redevelopment Agency
Chair and Board Members, Hesperia Housing Authority
Chair and Commission, Community Development Commission
Chair and Board Members, Hesperia Fire Protection District
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Administrative Services
Anne M. Duke, Deputy Finance Director

SUBJECT: Amendment to Agreement for Audit Lease Reporting Services for FY 2021-22

RECOMMENDED ACTION

It is recommended that the City of Hesperia, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District Council/Boards/Commissions approve an amendment to the existing Professional Services Agreement with the independent certified public accounting firm CliftonLarsonAllen (CLA) LLP, in the amount of \$30,275, for a total not-to-exceed amount of \$157,175, to include services to assist with implementing the new lease standard, Governmental Accounting Standards Board (GASB) 87.

BACKGROUND

CLA is the City's current auditor, and the firm has extensive experience in governmental auditing and a deep familiarity of the City's accounting structure. In June 2022, a Professional Services Agreement was approved in the amount of \$126,900 for the performance of an audit of the City and the required State reporting for the fiscal year ended June 30, 2022.

ISSUES/ANALYSIS

The Governmental Accounting Standards Board (GASB) continuously reviews generally accepted accounting principles (GAAP) and issues standards, typically called GASB Statements, that must be implemented by the City. The new prominent standard that must be included in the FY 2021-22 Annual Comprehensive Financial Report (ACFR) is GASB Standard 87 Lease Accounting (GASB 87). GASB 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; eliminates the distinction between operating leases and capital leases; and applies to contracts not explicitly identified as leases, but that meet the definition of a lease. CLA, as the eighth largest accounting firm in the nation, offers solutions for GASB 87 implementation. Since CLA is the City's current auditor, utilizing the firm for GASB 87 implementation will offer a seamless and efficient implementation of the standard. The first year costs include identifying and classifying leases, as well as lease accounting software. Cost will decrease in year 2 and after as the analytical work needed for implementation will be completed. It is anticipated year 2 costs will be approximately \$6,000.

FISCAL IMPACT

A fourth quarter budget amendment of \$30,275 will be requested at the end of the fiscal year if budget savings are not otherwise available.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

None