



CIRCULAR

STATE OF NEW JERSEY

DEPARTMENT OF THE TREASURY

NO.: 20-15-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 5
EFFECTIVE DATE: IMMEDIATE	EXPIRATION DATE: 6/30/20	SUPERSEDES: 19-13-OMB
SUBJECT: FISCAL YEAR END REPORTING 2020 – INVENTORY, CAPITAL ASSETS, EXECUTIVE ORDER 225, SOFTWARE REPORTING, IMPAIRMENTS, AND CERTIFICATION REQUIREMENTS		
ATTENTION: DIRECTORS OF ADMINISTRATION, FISCAL OFFICERS, FACILITIES DIRECTORS, AND CHIEF INFORMATION OFFICERS		
FOR INFORMATION CONTACT: CHRIS BEITZ		PHONE: 609-292-3175

This Circular contains important year-end information and submission dates for Capital Assets as defined by The Department of the Treasury, Office of Management and Budget (OMB) Circulars 19-11-OMB and 19-12-OMB for software reporting, clarification of Executive Order 225, and reporting of Capital Assets in the New Jersey Statewide Land and Building Asset Management System (LBAM).

Summary of Changes:

- Capital Assets 19-11-OMB and Asset Inventory 19-12-OMB Circulars became effective July 1, 2019 for Fiscal Year 2020 and reporting periods beyond to reflect the updated minimum requirement threshold for capital assets, asset impairments, documentation requirements, and asset inventory reporting. Please consult 19-11-OMB and 19-12-OMB for further details.
- The COVID-19 pandemic has resulted in the closing of many State offices and has contributed to an overall disruption to normal operations at many State agencies. OMB recognizes the required reporting certifications outlined in this circular may not be deliverable according to the deadlines mentioned below. OMB requests that if reporting deadlines cannot be met, for agencies to contact OMB so a practical solution can be determined.
- The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires governments to report all leases above asset thresholds, regardless of classification. Additionally, financing arrangements not previously reported as leases will now be required to be classified as such. Due the COVID-19 pandemic, GASB has delayed implementation of GASB Statement No. 87 until Fiscal Year 2022. Please see below for further details.
- The statewide solution for inventory tracking (WASP AssetCloud) should now be the primary inventory tracking application for all agencies. Further details regarding WASP AssetCloud can be found in Circular 19-12-OMB.

Policies

Departments must enter Fiscal Year 2020 capital acquisitions no later than September 25, 2020. Any delay in entering Fiscal Year 2020 activity will affect the ability of the Office of Legislative Services, Office of the State Auditor and OMB to complete the Comprehensive Annual Financial Report.

A. Circular Letters 19-11-OMB & 19-12-OMB

Circular Letters 19-11-OMB (Capital Assets) and 19-12-OMB (Asset Inventory Requirements) went into effect on July 1, 2019 to reflect new minimum capital asset thresholds and asset inventory requirements for financial reporting purposes. Beginning in Fiscal Year 2020, reporting will be reflective of these Circulars. Agencies are not required to enter qualifying assets under 19-11-OMB and 19-12-OMB's thresholds for assets acquired in prior years. Additionally, the Circulars incorporate important developments to asset and inventory reporting that have occurred over the past several years. See Part F of this Circular for further guidance on Fiscal Year 2020 reporting.

B. GASB Statement No. 87, Leases

GASB has updated lease accounting standards which will be effective for Fiscal Year 2022 reporting. GASB Statement No. 87 requires the State to report all leases above asset thresholds, both as lessee and lessor, and eliminates the classification of capital and operating leases. Additionally, GASB Statement No. 87 expands the definition of what was previously identified as leases for financial reporting to include all financing arrangements where one party conveys control of the right to use an underlying asset, and as a result, will lead to a more complete reporting of lease transactions in the government-wide financial statements.

OMB will modify LBAM for GASB Statement No. 87. Agencies will be responsible for entering any leases that are active in Fiscal Year 2022 beginning with the initial procurement date, regardless if the agency has executed an option renewal. More information will be issued in a OMB memorandum specifically concerning GASB 87.

For Fiscal Year 2021, agencies should continue to develop procedures to properly document all leases including lease terms, potential renewals, lease options, payment information, and parties involved if not already in practice for all leases, including, but not limited to, copiers, other multifunction devices, and certain service concession operations. It is especially critical for agencies to document lease terms, as GASB has ruled that options to renew must now be reported as the full term of the contract. For example, a two-year lease with five two-year options to renew shall be considered and reported as a 12 year lease. Agencies will need to enter any lease with a term of at least one year.

C. Capital Asset Software Reporting

All software that is purchased, developed, or under development that exceeds a cost of \$100,000, acquired since Fiscal Year 2006 and is still in use must be reported in LBAM, even if the cost is distributed across fiscal years. This includes enterprise agreements regardless of per-unit cost. Expenditures for multi-year software application development projects must be reported annually. Personnel expenditures for internally developed or agency modified applications must be reported using the "Employee Expenditure Reporting" worksheet found in the LBAM software module. System purchases should be entered as a package and not by components. For a copy of the Software Reporting Guidelines, contact OMB Financial Reporting at 609-292-3175.

The Chief Information Officer/Information Technology Director (CIO/IT Director) of each agency is responsible for ensuring the capture and accurate reporting of software procurement and

development and certifying the accuracy to the agency CFO. Each agency should have a policy for reporting software based on the OMB Software Reporting Guidelines. For a copy of the guidelines, contact OMB Financial Reporting at (609) 292-3175. The policy shall identify and include the unit and individual(s) responsible for entering the information in LBAM. In accordance with this Circular, the CIO/IT-Director will certify the accuracy of qualified software procurement, development in progress, and software developed and/or completed for Fiscal Year 2020. The certification and policy are submitted to the legislative auditors during the Fiscal Year 2020 CAFR audit

The CIO shall reproduce the following on department letterhead:

In accordance with Generally Accepted Accounting Principles and the Governmental Accounting Standards Board, the Department/Agency of [Department Name/Agency] certifies the following representations:

1. In accordance with Circular 20-15-OMB and the Department of [Insert Name] software reporting policy [insert policy number], all qualified software expenditures occurred in Fiscal Year 2020 {July 1, 2019, through June 30, 2020), have been entered into LBAM.
2. In accordance with Circular 20-15-OMB and the Department of [Insert Name] software reporting policy [insert policy number], the CIO/IT-Director has reviewed Fiscal Year 2020 software entries in LBAM and certifies the accuracy of the departments entries.
3. In accordance with Circular 20-15-OMB all supporting documentation has been uploaded to LBAM.

The CIO/IT Director shall submit a copy of the software policy to OMB, Attn: Chris Beitz, no later than August 31, 2020.

The CIO/IT Director shall submit a copy of the policy with the certification of compliance to the agency CFO no later than September 25, 2020.

D. Replacement Cost

All agencies are required to enter the aggregate replacement cost for all non-capital assets by location on the corresponding LBAM building record under the financial section. The information is for insurance purposes, so agencies may use acceptable cost estimation techniques, such as using a cost index inflator applied against the previous year's entries, adjusting accordingly for acquisitions in the current year. Do not include capital assets in the replacement cost as LBAM automatically transfers capital asset information from the equipment and software modules.

E. Capital Asset Reporting

Agencies are responsible for reporting in LBAM the acquisition, lease, license, construction, ownership, retirement, or sale of any asset that satisfies the thresholds defined in Circular 19-11-OMB and for which the agency maintains stewardship, responsibility, or is the main occupant of the building. In addition, software, land easements, infrastructure, and assets of historic, scientific, or artistic nature must be reported. All assets that have been received, accepted for delivery, and paid for prior to June 30, 2020, and all assets retired, sold, demolished, or scrapped prior to June 30, 2020, must be reported.

The Department of the Treasury's Central Motor Pool (CMP) shall enter all capital asset vehicles in LBAM under the using agency. Agencies that procure a vehicle through the CMP and perform additional upgrades to the vehicle are responsible for adding the additional upgrade expenditures in LBAM. If the CMP transfers the vehicle to another agency, the CMP must notify OMB of the transfer.

Department of the Treasury, Division of Property Management and Construction (DPMC) is

responsible for maintaining project construction detail and electronically transferring expenditures for DPMC managed projects in LBAM. Agencies with delegated authority or performing improvements under the DPMC managed threshold or under State contract must enter the project details and expenditures in LBAM. All building construction, renovation, or demolition of buildings, or the purchase and/or sale of property that is not managed by DPMC is the responsibility of the applicable agency and, therefore, must be reported by the agency. The department's CFO is responsible for reconciling the department records to DPMC expenditures and entry of additional expenditures not handled by DPMC. The agency is responsible for closing projects in LBAM once the asset is in use. Projects constructed in phases and placed in service as each phase is completed should be entered into LBAM accordingly and closed as each phase is placed in service.

Infrastructure is a capital asset. Therefore, all agencies are required to report any assets classified as infrastructure that have been acquired or constructed. Infrastructure may include: dams, airport runways, roads, bridges, canals, docks, sewer, water, and electric, certain IT hardware and software, or fiber optic distribution systems. Major improvements to infrastructure assets must also be reported. Land purchased for the express purpose of supporting infrastructure must be reported into LBAM as a land asset. For Fiscal Year 2019 the Department of Transportation (DOT) created an online data source that OMB will access for reporting information. DOT should have the data source updated with Fiscal Year 2020 activity no later than July 31, 2020.

As per Circular 19-12-OMB, historic and artistic holdings should be submitted in "classification format" along with a written department policy stating that historic and/or artistic holdings are held for reasons other than financial gain; the collection is protected, kept unencumbered, is cared for and preserved; and all proceeds from sales of collection items are used to acquire other items for collections. The policy must be submitted with the annual certification (see Section F below). Departments without a written policy must enter all historic and artistic holdings, including a monetary value at time of acquisition, into LBAM.

All supporting documentation for equipment, software, and non-Treasury managed land and building improvements entries in LBAM must be electronically uploaded to the respective LBAM record. Agencies using a Department of the Treasury, Division of Revenue and Enterprise Services certified records management system are exempt from uploading non-Treasury managed land and building improvement projects, provided that access to the records system is granted to OMB Financial Reporting and the Office of Legislative Services, Office of the State Auditor.

F. CFO Certification

OMB requires the department CFO to certify on agency letterhead the following:

In accordance with Generally Accepted Accounting Principles and Governmental Accounting Standards Board standards, the Department/Agency of [Department Name/Agency] certifies the following representations:

1. In accordance with Circular 19-12-OMB and Department of [Insert Name] inventory policies, at least one physical inventory of all Department/Agency assets has occurred in Fiscal Year 2020 (July 1, 2019, through June 30, 2020), and the content cost for each building has been updated LBAM.
2. In accordance with Circular 19-11-OMB and 20-15-OMB, all qualified capital asset and infrastructure purchases and/or retirements, procured during Fiscal Year 2020 have been entered into LBAM, or in the case of DOT, have been reported to OMB.
3. In accordance with the Year-End Circular 20-15-OMB, all capital asset impairments have been identified and entered into LBAM.
4. In accordance with Year-End Circular 20-15-OMB, the department has reviewed and verified that all qualifying software acquisitions, as defined by OMB Circular 19-12-OMB have been identified

and entered into LBAM and that the agency has performed a review, and if necessary updated, Fiscal Year 2020 entries.

5. In accordance with Year-End Circular 20-15-OMB, the Department/Agency CIO of [Insert Name] has certified to OIT all infrastructure assets and provided an LBAM report of all E.O. 225 infrastructure assets by June 30, 2020.

The CFO should submit the certification with the CIO/IT Director's software certification and software reporting policy no later than September 25, 2020 to:

Jeffrey DeCicco, Assistant Director of Financial Reporting
Office of Management and Budget
P.O. Box 221
Trenton, NJ 08625-0221



David Ridolfino
Acting Director