



CIRCULAR

STATE OF NEW JERSEY

DEPARTMENT OF THE TREASURY

NO.: 24-19-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 7
EFFECTIVE DATE: 07-01-23	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 19-11-OMB
SUBJECT: CAPITAL ASSETS		
ATTENTION: DIRECTORS OF ADMINISTRATION, FISCAL OFFICERS, FACILITIES DIRECTORS, AND CHIEF INFORMATION OFFICERS		
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I. Purpose

This Circular establishes the statewide policies to account for capital assets in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB). Agencies should consult Circular 19-12-OMB Asset Inventory Requirements and the annual Capital Asset Fiscal Year End Reporting Requirements Circular for additional information.

II. Introduction

In order to comply with GAAP reporting requirements for capital assets, as set forth by the GASB, the State has established the Statewide Land and Building Asset Management (LBAM) system as the official repository of the State's capital assets. LBAM is an automated system designed to report and account for capital asset inventory for all State agencies. LBAM accumulates capital asset data and calculates the corresponding depreciation, which is ultimately reflected in the Annual Comprehensive Financial Report (ACFR). LBAM is not intended to include the capital assets of the autonomous colleges, universities, and authorities, which are accounted for and reported separately. The Department of the Treasury, Office of Management and Budget (OMB), maintains the central system. State agencies are responsible for the inventory, maintenance, and data entry of their assets into LBAM. A list of capital assets may be found in LBAM or contact Chris Beitz at 609-292-3175.

III. Capitalization Policy

Capital Assets, both tangible and intangible, that meet the following criteria must be recorded in LBAM:

- A. A capital asset may be tangible, (i.e., have physical qualities) or intangible (i.e., something of value that cannot be physically touched, such as software programs, copyrights, trademarks, easements, etc.).
- B. The capital asset must possess a useful life of greater than one year.
- C. A capital asset is classified into one of the following classes: land and easements, land improvements, buildings, building improvements, construction in progress, equipment and software, infrastructure, and leases.

D. The following asset classes and their minimum values must be reported in LBAM:

1. Land and Easements - No Minimum Threshold

- a. Land and easements, acquired by purchase, are recorded at cost to include the amount paid for the land itself and all incidental costs associated with the acquisition. Agencies should not include personnel costs.
- b. Land and easements acquired by gift or bequest are recorded at the acquisition value as of the date of the gift or bequest.
- c. Easements include, but are not limited to, development rights, right-of-way, utility, aerial, etc.
- d. When land is acquired with buildings erected thereon, the total cost should be allocated between the two asset classes in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other information sources should be used, such as an appraisal or real estate assessment record.
- e. Land and easements, acquired with other entities, should be recorded with the State's contribution only. Details of the full price and funding arrangement must be entered into LBAM's land purchase module.
- f. For land and easements, acquired with other entities (i.e., local governments or nonprofit organizations), where the entity(s) has received a grant from the State for the purpose of the acquisition and the condition of the grant stipulates a State interest, the agency should record both the State's direct contribution as well as the grant value in LBAM. The most common State interest is the prevention of the entity from selling their interest in the property without the written permission or reimbursement of funds to the State. Details of the arrangement must be entered into LBAM land purchase module.

2. Land Improvements - \$10,000 Threshold

- a. This category includes parking lots, outdoor lighting, covered walkways, fences, sidewalks, boat launches, docks, landscaping, etc.
- b. When land improvements are acquired as part of a land purchase, the total cost should be allocated between the two asset classes in reasonable proportion at the date of acquisition.

3. Buildings - Owned, Leased, or Licensed-No Minimum Threshold

- a. Any building that the State has an interest in, houses a State employee, or State-owned equipment must be entered in LBAM.
- b. Buildings will be recorded at either their acquisition or construction cost. If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental costs at the time of acquisition. Agencies should not include personnel costs.
- c. If a building is constructed, the capitalized cost should include all construction costs. The constructed building will be capitalized upon the issuance of a certification of occupancy, or when it becomes functional. Improvements to the land, such as parking lots, outdoor lighting, sidewalks, sewer connections, etc., should be reported as land improvements, provided that the costs may be reasonably separated from the building construction costs.
- d. All leased buildings must be entered into the LBAM lease module. OMB enters the building and lease record in LBAM when the lease is signed. Agencies that have delegated authority

to engage in a lease or acquire leased space in a grant should send a copy of the lease agreement to OMB. OMB will enter the building and lease in LBAM.

- e. In certain cases, the State occupies a building where ownership is unclear or the State is solely responsible for all maintenance and improvements of the building. These buildings must be entered in LBAM as an owned building.
 - f. In certain cases, an entity provides a building or space in a building for State operations. These buildings must be entered in LBAM as a licensed building. Examples of licensed buildings are buildings on federal property, pollution remediation sites, or privately-owned buildings with State-owned equipment.
 - g. Temporary buildings should not be entered into LBAM. A temporary building is defined as a structure that will be removed within one year and has no foundation or utilities.
4. Building Improvements - \$50,000 Threshold (with some exceptions – see below)
- a. Component Construction Units (HVAC, plumbing systems, sprinkler systems, elevators, etc.) - When building component units are replaced, the new component unit will be capitalized separately, and the old component (subsequent to original construction) should be retired from the LBAM system. However, if the original component unit was included in the original construction, it will not be removed since it was not a separately valued component.
 - b. Major Renovations or Alterations - Renovations performed over a period of multiple years should be evaluated on the total cost of the original intent of the project. For example, should an agency embark on a project to replace all the windows in a building over a period of four years and estimates the annual cost to be less than \$50,000, but the total cost to be over \$50,000, the agency must enter the project in the LBAM system in the year the expenditure occurs (see next section entitled “Construction in Progress”).
 - c. Improvements less than the \$50,000 threshold, but that significantly extend the useful life of the building or adds significant value should be reported in LBAM. For example, boiler replacements, roof replacement, a new well, total window replacement, etc.
5. Construction in Progress/Development in Progress (CIP)
- a. This category includes all construction projects for new buildings, building improvements, and software development, which are incomplete at the end of the fiscal year and are projected to satisfy the respective minimum reporting threshold. Projects managed by Treasury’s Division of Property and Management Construction (DPMC) are automatically reported in LBAM through a system interface between DPMC’s contract management system and LBAM. Agencies with delegated authority or managing their own project are responsible for entering the project in LBAM.
 - b. Annual expenditures must be reported in the LBAM system by the year-end close-out.
6. Equipment - \$30,000 Threshold for Vehicles, \$5,000 Threshold for All Other Equipment
- a. The Department of the Treasury's Central Motor Pool (CMP) is responsible for entering in LBAM all qualified vehicles that Treasury procures. CMP will record the entry in the purchasing agency’s name during the year-end inventory process. It is the purchasing/using agency’s responsibility to certify that the vehicle has been correctly reported. Agencies that acquire vehicles outside of CMP are responsible for entering the asset in LBAM. If the agency returns the vehicle to CMP and CMP transfers the vehicle to another agency, CMP must notify OMB of the transfer, who will transfer the vehicle in LBAM.

- b. The acquisition cost of the equipment should include all costs required for the original intent of the acquisition. For example, CPM purchases a vehicle (police interceptor) that fails to satisfy the threshold, the purchasing agency then installs additional equipment (lights, radios, etc.), which results in the combined cost exceeding the threshold. The purchasing agency is responsible for entering the asset into LBAM.
7. Software - \$100,000 Threshold
 - a. This category includes all perpetual software licensing, enterprise agreements, purchases, internally developed, certain maintenance agreements, and any combination thereof.
 - b. Maintenance agreements are generally not capitalized, unless an upgrade performed under the maintenance agreement results in a functional change or extends the life of the application or the agency either intends or has committed to a long-term maintenance contract. If the agency intends on renewing for an extended period, the agency's entry into LBAM should not be for more than five years. Agencies should refer to the OMB Software Reporting Guidelines and their agency software reporting policy.
 - c. Software licenses that are subscription-based in nature should be reported in a manner similar to leases. Please see section 9 below for further information on leases and Subscription-Based Information Technology Arrangements (SBITAs).
 8. Infrastructure - \$10,000 Threshold for Land Improvements, \$50,000 Threshold for Building Improvements, All New Buildings No Threshold
 - a. Infrastructure refers collectively to roads, bridges, railroads, communication systems, dams, sewer and water lines, and similar public works. The current list of infrastructure assets may be found in LBAM.
 - b. Infrastructure assets are sub-categories of the asset class and automatically identified when agencies enter the information into LBAM.
 - c. DOT is responsible for capturing infrastructure expenditures to a central repository in accordance with GAAP and GASB regulations and updating the repository as new regulations are issued. OMB will establish a process in LBAM to import expenditures from the repository.
 9. Leased Assets and SBITAs - All Leased Buildings and Land have a reporting threshold of \$50,000, Equipment \$30,000, and SBITAs \$100,000.

Leased assets and SBITAs, which satisfy the respective thresholds, must be reported. All agencies must send the lease or SBITA contract and LBAM location of the leased or SBITA asset to OMB Financial Reporting, who will enter the information into LBAM. Lease or SBITA contract and location information can be emailed to: Leases.Lbam@treas.nj.gov.

GASB Statements No. 87 Leases and No. 96 SBITAs significantly affected how leases and SBITAs are reported in the ACFR. Please see the OMB Circular [22-02-OMB](#) for guidance related to leases, and Circular [23-05-OMB](#) for guidance related to SBITAs.

IV. Treasury Managed Construction Projects

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.

V. Documentation Requirements

Agencies are required to maintain and upload supporting documentation to the LBAM system. The upload of supporting documentation is not required for DPMC managed construction or if the agency uploads support to an in-house archival retrieval system, providing access to the agency's archival retrieval system is granted to OMB and to the Office of Legislative Services, Office of the State Auditor.

The New Jersey Comprehensive Financial System reference transaction number must be posted to each asset entry. Transactions representing multiple acquisitions will require the agency to enter an adjustment. Adjustments must reflect accurate distribution of the funding source, i.e. General State Funds, Federal Grants, Bonding, etc. The agency should contact OMB if the reference transaction number is not available.

System definitions and instructions are available online via the LBAM system and library.

VI. Asset Impairment

All departments are now required to enter asset impairments into the LBAM Loss Reporting module. Asset impairment includes events or changes in circumstance that suggest the usable capacity of the capital asset may have significantly and unexpectedly declined. Both significant and unexpected declines must be present for an asset to be considered impaired. Common indicators of impairment include:

- Evidence of physical damage such that restoration efforts are needed to restore usable capacity;
- Enactment or approval of laws, regulations, court orders, or other changes in environmental factors;
- Technological development or evidence of obsolescence;
- Change in the manner or expected duration of use of a capital asset;
- Construction stoppage due to lack of funding.

LBAM has a module that incorporates the GASB No. 42 Asset Impairment questionnaire and the Division of Risk Management Loss Report Form ADMM01/PROP-01. Agencies must enter all damages incurred during the fiscal year and estimated costs of replacement regardless if a form has already been submitted to Risk Management. If necessary, agencies must update LBAM to reflect current information of any impairments reported in a prior fiscal year.

VII. Disposition of Assets

When capital assets are sold or otherwise disposed of, the cost of the asset and the corresponding accumulated depreciation should be removed from the capital asset inventory. Assets will be removed on an annual basis in conjunction with the annual update.

Disposal of non-computer surplus assets shall conform to the Department of the Treasury's Division of Purchase and Property (DPP) procedures, as outlined in Circular 08-03-DPP. DPP guidelines on the disposal of computer equipment are outlined in Circular 13-18-DPP. Agencies requiring additional

information should contact the DPP's Surplus Property Unit at (609) 530-3300.

Each WASP AssetCloud tenant should have the Treasury surplus warehouse location (see 19-12-OMB for information about WASP AssetCloud). Agencies should transfer assets designated for surplus to the Treasury warehouse location in their agency tenant. Agencies should then bundle the assets, print a report of the surplus designated assets, and send the report and the assets to the Treasury warehouse. Treasury Surplus is responsible for retiring the asset in the agency tenant once the assets are no longer in the possession of the State. Once Treasury Surplus removes the asset from WASP AssetCloud, the agency is responsible for retiring the capital asset in LBAM. Please click [here](#) and [here](#) to access forms required by the Treasury warehouse for IT equipment.

VIII. Reporting Responsibilities

- A. All building construction, renovation and demolition of buildings, or the purchase and/or sale of property that is not coordinated through DPMC or the Office of Property and Lease Management is the responsibility of the applicable agency and therefore must be reported by that agency.
- B. Acquisition of an asset through a series of regular contract payments, i.e., installment purchases of qualifying assets, as well as an asset acquired through Certificates of Participation or "Master Lease" financing, should be reported as if the asset was purchased.
- C. Each agency is responsible for reconciling and closing out DPMC managed projects in LBAM.
- D. Assets acquired through multi-year contractual agreements must be recorded at the full value of the contract and list the term. Contact OMB Financial Reporting for assistance.
- E. The agency is responsible for coding the geographical informational state plain coordinate (North American Datum 1983) location of their land and buildings in LBAM.
- F. The agency is responsible for reporting and annually updating workspace allocation and employee counts by program in each building into LBAM.
- G. Historic and artistic holdings may be summarily 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. Departments without a written policy must enter all historic and artistic holdings, including a monetary value at time of acquisition, into LBAM. For assistance with "classification format", please contact the New Jersey State Museum.

IX. OMB Responsibilities

- A. OMB has developed the LBAM system, which is a standardized capital asset reporting system required to be used for all capital asset inventory tracking.
- B. OMB will provide each appropriate party with an inventory of assets that are in the LBAM system. These will be provided via standard inventory reports available to the agency within the LBAM application report menu. The asset listing should be reconciled to the June 30 asset inventory as established by Circular Letter 19-12-OMB.
- C. OMB will offer training in the LBAM application; contact OMB at 609-292-3175 for additional information.

X. Agency Responsibilities

- A. Each agency will designate a unit/personnel responsible for updating the LBAM system.
- B. Each agency is required to provide an internal system that is capable of running the LBAM application.
- C. Each agency will also be responsible for conducting an annual physical inventory of fixed assets, which must be reconciled to the LBAM system.
- D. Agencies must refer to the Asset Inventory Circular Letter 19-12-OMB and the annual fiscal year end Capital Assets Circular Letter.

XI. Reporting Responsibilities for Executive Order 225 (E.O. 225)

On June 1, 2017, the Governor of New Jersey signed E.O. 225 granting OIT the authority to assume ownership of all IT infrastructure assets. This Circular clarifies the ACFR reporting process for E.O. 225.

LBAM captures and reports capital expenditures according to GASB Statements No. 34 and No. 51, which requires the State to credit expenditures to the function of its use. For example, State Police procures an IT asset. GASB Statement No. 34 requires the State to report the asset as an expenditure for the purpose of Law and Criminal Justice, or “public safety and criminal justice”. If OIT assumes ownership of the asset, as directed by E.O. 225, LBAM will report the asset under “government management, direction, and control”. As a result, transferring ownership of the assets under E.O. 225, would incorrectly reflect the cost of government in the State’s financial statements.

Therefore, ownership of assets in LBAM affected by E.O. 225 shall remain with the agency for which the asset was procured. The agency shall modify affected records in LBAM to reflect that OIT manages the asset. For all new infrastructure acquisitions, it will be the responsibility of OIT to enter the asset into LBAM and record LBAM ownership to the agency and division that funded the asset. In compliance with this circular, both inventory lists must contain the LBAM location information.

OIT will continue to generate the GASB Statement No. 34 reports for programming services to OMB who will distribute the reports to the agencies. It will be the agencies responsibility to review the GASB Statement No. 34 reports and add them to LBAM if the combined OIT and agency expenditures satisfy the software reporting threshold.



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