



# CIRCULAR

## STATE OF NEW JERSEY

### DEPARTMENT OF THE TREASURY

NO.: 16-13-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 4
EFFECTIVE DATE: Immediate	EXPIRATION DATE: 06/30/2017	SUPERSEDES: 15-10-OMB
SUBJECT: CAPITAL ASSETS, IMPAIRMENTS, AND CERTIFICATION REQUIREMENTS		
ATTENTION: DIRECTORS OF ADMINISTRATION, FISCAL OFFICERS, FACILITIES DIRECTORS, AND CHIEF INFORMATION OFFICERS		
FOR INFORMATION CONTACT: STEVEN SAGNIP		PHONE: (609) 292-3175

This Circular contains important year-end information and cutoff dates for reporting of damage incurred to state property and Capital Assets in the New Jersey Statewide Land and Building Asset Management System (LBAM).

#### Summary of Changes:

**For fiscal year 2016, all agencies shall submit, in electronic format, a list of their department inventory as defined Circular 11-19-OMB.**

All questions pertaining to this Circular and training should be directed to OMB Financial Reporting, at (609) 292-9505. All capital assets, infrastructure, and equipment inventory must be reported in the Statewide Land and Building Asset Management System (LBAM). **Departments must enter fiscal year 2016 capital acquisitions no later than August 5, 2016.** Any delay in entering fiscal year 2016 activity will affect the ability of the Legislature's Office of the State Auditor and OMB to complete the Comprehensive Annual Financial Report.

#### 1. Annual Inventory Requirement and Reconciliation to LBAM

All agencies are required to maintain an internal inventory of all equipment assets with an acquisition value of \$1,000 or more as defined in Circular 11-19-OMB. Agencies must perform a physical inventory to verify the status and condition and update their internal inventory by June 30 of each fiscal year. Agencies should compare their inventory records with their internal purchasing records. Agencies are responsible for reconciling LBAM to their internal records by August 5, 2016. Any discrepancies must be investigated and appropriately updated in either LBAM or the internal inventory.

#### 2. Replacement Cost

In addition to acquisition value by building, all agencies are required to enter the aggregate replacement value of all insurable assets by location. Do not include land and building improvement

costs. If the agency is the sole occupant of the building, the information should be entered into the financial section of the LBAM building record. If there are multiple agencies in the building, the replacement cost should be entered into the floor program section of the building record.

### 3. 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 11-18-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, 2016, and all assets retired, sold, demolished, or scrapped prior to June 30, 2016 must be reported. Entries into LBAM for projects managed by DPMC or vehicles procured by Treasury Motor Pool are Treasury's responsibility. Agencies responsible for construction or purchase of capital assets not already reported by Treasury should report those transactions in LBAM. All building construction, renovation, or demolition of buildings, or the purchase and/or sale of property that is not coordinated through the Division of Property Management and Construction's (DPMC) Office of Design and Construction or Office of Property and Lease Management is the responsibility of the applicable agency and, therefore, must be reported by the agency. However, the department Chief Fiscal Officer (CFO) is responsible for reconciling to department records the accuracy of the reported expenditures and entry of additional expenditures not handled by DPMC.

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 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. DOT infrastructure, excluding land, is to be submitted to OMB directly via a spreadsheet listing cost, category, and year of acquisition.

Additionally, all software that is purchased, developed, or under development that exceeds a cost of \$100,000 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. A copy of the Software Reporting Policy is attached to this Circular.

As per Circular 11-18-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 5 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. The Department of Transportation Infrastructure (roads and bridges) are exempt from this requirement. Agencies utilizing a records management system certified by the Department of the Treasury - Division of Revenue and Enterprise Services may also be exempt from uploading non-Treasury managed land and building improvement projects providing access to the records system is granted to OMB-Financial Reporting and the Office of Legislative Services' Office of the State Auditor.

#### 4. IMPAIRMENTS

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 fiscal year 2016 and estimated costs of replacement regardless if a form has already been submitted to Risk Management and must update LBAM to reflect current information.

#### 5. 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 11-19-OMB and Department of [Insert Name] inventory policies, at least one physical inventory of all Departmental/Agency assets has occurred in fiscal year 2016 (July 1, 2015 through June 30, 2016), and the content cost for each building has been entered into LBAM.
2. In accordance with Circular 11-18-OMB and 16-13-OMB, all qualified capital asset and infrastructure purchases and/or retirements, procured during fiscal year 2016 have been entered into LBAM, or in the case of DOT, have been reported to OMB.

3. In accordance with the Year-end Circular 16-13-OMB, all capital asset impairments have been identified and entered into LBAM.
4. In accordance with Year-end Circular 16-13-OMB, the department has submitted an electronic copy of the inventory as defined by Circular 11-19-OMB.

The CFO should submit the certification no later than September 9, 2016 to:

James Kelly, Manager of Financial Reporting  
Office of Management and Budget  
P.O. Box 221  
Trenton, NJ 08625-0221



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David Ridolfino  
Acting Director