

MATATIELE LOCAL MUNICIPALITY




MATATIELE
LOCAL MUNICIPALITY

FIXED ASSETS POLICY

<u>POLICY INFORMATION</u>	
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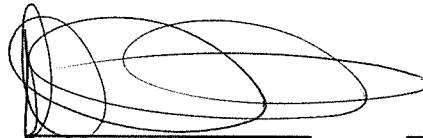
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MR. N.R. XOLO
ACTING MUNICIPAL MANAGER
MAYOR

31/07/2020

DATE



CLLR. M.M. MBEDLA
MAYOR

31/07/2020

DATE



CLLR N MSHUQWANA
SPEAKER COUNCIL

31/07/2020

DATE

Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

Table of Contents

PART 1 - DEFINITIONS AND ABBREVIATIONS	5
PART 2 - OBJECTIVE OF THE ASSET MANAGEMENT POLICY	6
PART 3 - ROLE OF MUNICIPAL MANAGER	7
PART 4 - ROLE OF CHIEF FINANCIAL OFFICER.....	8
PART 5 - ROLE OF OTHER DEPARTMENTS	10
PART 6 - DEFINITION OF AN ASSET.....	12
PART 7 - FORMAT OF FIXED ASSET REGISTER.....	13
PART 8 - CLASSIFICATION OF FIXED ASSETS	14
PART 9 - INVESTMENT PROPERTY.....	15
PART 10 - FIXED ASSETS TREATED AS INVENTORY.....	16
PART 11 - RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER.....	17
PART 12 - RECOGNITION OF DONATED ASSETS.....	18
PART 13 - SAFEKEEPING OF ASSETS	18
PART 14 - IDENTIFICATION OF FIXED ASSETS	19
PART 15 - PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS	20
PART 16 - CAPITALISATION CRITERIA: MATERIAL VALUE	20
PART 17 - CALCULATION OF CAPITALISATION COST OF ASSETS	21
PART 18 - COSTS INCURRED ON EXISTING PPE SUBSEQUENT TO THE INITIAL RECORDING OF THE COST PRICE	22
PART 19 - MAINTENANCE PLANS.....	24
PART 20 - DEFERRED MAINTENANCE.....	25
PART 21 - GENERAL MAINTENANCE OF FIXED ASSETS.....	25
PART 22 - DEPRECIATION OF FIXED ASSETS	25
PART 23 - WHICH ASSETS MUST BE DEPRECIATED.....	26
PART 24 - RATE OF DEPRECIATION	26
PART 25 - METHOD OF DEPRECIATION	27
PART 26 - AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS	27
PART 27 - ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES.....	28
PART 28 - RESIDUAL VALUES	29
PART 29 - IMPAIRMENT OF ASSETS.....	30
PART 30 - CARRYING VALUES OF FIXED ASSETS.....	30
PART 31 - REVALUATION OF FIXED ASSETS.....	30
PART 32 - VERIFICATION OF FIXED ASSETS.....	32

PART 33 - ALIENATION OF FIXED ASSETS.....	32
PART 34 - OTHER WRITE-OFFS OF FIXED ASSETS	34
PART 35 - REPLACEMENT NORMS	34
PART 36 - INSURANCE OF FIXED ASSETS.....	35
PART 37 - BIOLOGICAL ASSETS.....	35
PART 38 - INTANGIBLE ASSETS	36
PART 39 - RECOGNITION OF ASSETS IN FINANCIAL STATEMENTS.....	38
PART 40 - ANNEXURE: FIXED ASSET LIVES	40
PART 41 - ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003.....	47

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PART 1 - DEFINITIONS AND ABBREVIATIONS

Asset - An asset is a resource, tangible or intangible, controlled by the entity as a result of past events which is expected to be used during more than one reporting period and from which future economic benefits or service potential will flow.

Asset Management - Management of the assets of the municipality as required by municipal legislation which inter alia includes the compilation of a GRAP compliant register.

Carrying amount - The amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation and any impairment losses thereon.

CFO - Chief Financial Officer or the official acting in that capacity.

Cost - The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Depreciation - This is the systematic allocation of the cost of use of an asset over its useful life.

Depreciable amount - The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

Fair Value - The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Asset Register - An asset register is a list of the assets owned or controlled by an entity. It contains pertinent details about each asset to track their value and physical location.

GRAP - Standards of Generally Recognised Accounting Practice

Impairment - An asset is impaired when the carrying amount exceeds its recoverable amount or recoverable service amount.

PPE - Property, Plant & Equipment – These are tangible assets that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and
- are expected to be used during more than one reporting period

Residual Values - The estimated amount that the municipality would currently obtain from disposal of the asset after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Recoverable Amount - The estimated amount which the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Recoverable Service Amount - Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful Life - Useful life is either:

- the period over which an asset is expected to be available for use by the municipality, or
- the number of production or similar units expected to be obtained from the asset by the municipality

Value In Use - Value in use reflects the amount that can be derived from an asset through its operation and its disposal at the end of its useful life.

PART 2 - OBJECTIVE OF THE ASSET MANAGEMENT POLICY

The Asset Management Policy provides direction for the management, accounting and control of Fixed Assets owned or controlled by the Municipality, in accordance with applicable legislation and best practices developed including Mscoa regulation requirements. Each transaction should be compliant with Mscoa.

PART 3 - ROLE OF MUNICIPAL MANAGER

Section 63 of the MFMA states that:-

(1) The Accounting Officer is responsible for the management of—

(a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and

(b) the liabilities of the municipality.

(2) The Accounting Officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."

As the Accounting Officer of the municipality, the Municipal Manager shall be the principal custodian of all the municipality's fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

PART 4 - ROLE OF CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

Asset Control Unit

- Shall ensure that complete records of asset items are kept, verified and balanced regularly.
- Shall ensure that all movable assets are properly tagged and accounted for.
- Shall conduct an annual asset verification of movable assets and compare the room list with the room lists signed-off in the previous year.
- The asset verification report shall reflect any discrepancies between the assets found during verification and the asset room lists signed off in the previous year referred to in the point above;
- Shall ensure that the Asset Register is balanced annually with the general ledger and
- the financial statements.
- Shall ensure adequate bar codes to exercise the function relating to asset control are available at all times.
- Shall provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to the Municipality as recorded in the Asset Register.
- Shall ensure that all audit queries are resolved in a timely manner.
- Shall ensure that the relevant information relating to the calculation of depreciation is obtained from other departments and provided to the Finance department in the prescribed format.
- Shall ensure that asset acquisitions are allocated to the correct asset code.

- Shall ensure that, a completed asset disposal form, counter signed by the Asset Control Unit, is presented.
- Shall ensure that a verifiable record is kept of all obsolete, damaged and unused asset or asset inventory items received from the departments.
- Shall compile, in conjunction with the stores controller, a list of the items to be auctioned in accordance with their guidelines in the Supply Chain Management (SCM) Policy.
- Shall compile and circulate a list of unused movable assets to enable other departments to obtain items that are of use to them.

PART 5 - ROLE OF OTHER DEPARTMENTS

Section 78 of the MFMA, Senior managers and other officials of municipalities, states that:

“(1) Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure—

a) that the system of financial management and internal control established for the municipality is carried out diligently;

b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;

c) that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;

d) that all revenue due to the municipality is collected;

e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;

f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and

g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.”

Human Resources Department

The Human Resources Department

- Shall ensure that no monies are paid out on termination of service without receiving the relevant asset resignation form signed off by the relevant department.
- Shall ensure that every asset resignation form is counter signed by the Asset Control Section before processing the termination of service.

All Departments

Managers

- Shall ensure that employees in their departments adhere to the approved Asset Management Policies.
- Shall ensure that an employee with delegated authority has been nominated to implement and maintain physical control over assets in the department. The Asset Control Section must be notified of who the responsible person is. Although authority has been delegated the responsibility to ensure adequate physical control over each asset remains with the Manager/Executive. The delegated individuals will be known as Asset Controllers.
- Shall ensure that assets are properly maintained in accordance with their respective asset maintenance policies.
- Shall ensure that the assets of the Municipality are not used for private gain.
- Shall ensure that all their movable assets as reflected on the Asset Register are
bar
- coded where possible.
- Shall ensure that the Asset Control Section is notified of any changes in the status of the assets under the department's control. This must be done on the prescribed form.
- Shall ensure that all obsolete and damaged asset items, accompanied by the relevant asset form and attached disposal forms, are handed in to the Asset Control Section without delay.
- Shall ensure that all Managers of all departments inform the Budget & Treasury Section (Asset Unit) of any projects completed during the year and provide written confirmation of the date the project asset was handed over to the municipality and related assets available for use.
- A completion certificate must also be provided to Budget & Treasury Section (Asset Unit) within 7 days of handover and/or completion in order to ensure that completed projects are taken up in the asset register of the municipality and are properly insured.
- Shall ensure that when asset(s) are donated to the municipality, the Manager that will be responsible for the maintenance and operation of the asset, informs

the Budget & Treasury Section (Asset Unit), within 7 days of receipt of the asset and provide all relevant documentation of hand-over process in order for the asset to be taken up in the municipality's asset register and ensure that the asset(s) are properly insured.

PART 6 - DEFINITION OF AN ASSET

An asset is a resource controlled by the municipality as a result of past events and from which future economic benefits or service potential is expected to flow to the municipality.

The definition has three components, which must all be satisfied in order to be classified as 'an asset' in an accounting sense. They are relevant to all forms of assets:

- The municipality has the capacity to control the service potential or future economic benefits of the asset, that it is control of the economic benefits or service potential of the asset rather than 'physical' control;
- The service potential or future economic benefits arose from past transactions or events existing on reporting date (that is future assets cannot be recognised in the financial statements); and
- The asset has future service potential or economic benefit for the municipality. The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the municipality. The potential may be a productive one that is part of the operating activities of the municipality. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative process lowers the costs of providing a service.
- Service potential is thus the capacity of an asset, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality.

A fixed asset is an asset, either movable or immovable, owned by or under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year, which cost or fair value can be measured reliably.

Fixed assets will include Property, Plant and Equipment (as defined in GRAP 17), Intangible Assets (as defined in GRAP 102), Investment Property (as defined in GRAP 16), Heritage Assets (as defined in GRAP 103), as well as Assets held under a finance lease, in accordance with the principles contained in GRAP 13.

PART 7 - FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements that may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful mSCOA segment description of each asset
- the date on which the asset was acquired or brought into use
- the supplier from which the asset was acquired
- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the title deed number, in the case of fixed property
- the stand number, in the case of fixed property
- the identification number, as determined in compliance with part 11 below
- the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation
- the revalued value of such fixed assets
- Opening Accumulated Depreciation
- the depreciation charge for the current financial year
- accumulated depreciation to date
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)

- the source of financing
- the current insurance arrangements
- whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
- the date on which the asset is disposed of
- the disposal price
- the date on which the asset is retired from use, if not disposed of.

All heads of department under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 8 - CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the Chief Financial Officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

Property, Plant and Equipment

- land (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community)
- other assets (ordinary operational resources)

Heritage Assets

- culturally significant resources

Intangible Assets

- intangible resources

Investment Property

- investment assets (resources held for capital or operational gain)

The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 9 - INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

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Investment assets shall not be depreciated, but shall be valued regularly, not less than every five years, on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the statement of position at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

A professional valuer shall be engaged by the municipality to undertake such valuations.

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

PART 10 - FIXED ASSETS TREATED AS INVENTORY

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

PART 11 - RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

Definition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Examples are works of art, conservation areas, historical buildings and statues.

Recognition and Disclosure of Heritage assets

The municipality shall choose as its accounting policy either the cost model or the revaluation model and shall apply that policy to an entire class of heritage assets.

Where no evidence is available to determine the market value in an active market of a heritage asset, a valuation technique may be used to determine its fair value. Valuation techniques include using recent arm's length market transactions if available. In the case of specialised heritage buildings and other man-made heritage structures, such as monuments, the municipality may need to determine fair value by using a replacement cost approach.

If the municipality is unable to determine fair value reliable due to market-determined prices or values that are unavailable and alternative estimates of fair value are determined to be clearly unreliable, the heritage asset shall be measured using the cost model.

PART 12 - RECOGNITION OF DONATED ASSETS

Definition

An item donated or bequeathed to the municipality or acquired by means of an exchange of assets between the municipality and one or more other parties shall be recorded in the asset register only if it subscribes to the definition of an asset as set out above.

Disclosure of Donated Assets

Donated assets will be disclosed in the Statement of Financial Position at fair value less accumulated depreciation at date of acquirement. Fair value being what the asset would cost in the open market at the date of acquirement. If there is no open market for such assets the depreciated replacement value will be applied to determine fair value.

The transaction of acquirement will reflect on the Statement of Changes to Net Assets as "Assets Donated/Bequeathed"

PART 13 - SAFEKEEPING OF ASSETS

Section 63 of the Municipal Financial Management Act (Act no 56 2003) determines that the Accounting Officer is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets. Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the Chief Financial Officer to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

Section 78(e) of the Municipal Financial Management Act (Act no. 56 of 2003) determines each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the

municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. A senior manager or such official must perform the functions subject to the directions of the accounting officer of the municipality.

Every General Manager/Head of a department shall ensure that no assets are kept at employees' private residences, unless otherwise approved by the Director or delegated person in that department, e.g. people that are on standby, computer laptops and tablets (form handed in at the IT Section). Cell phones must be safely kept by the person issued

PART 14 - IDENTIFICATION OF FIXED ASSETS

The Chief Financial Officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the Chief Financial Officer, acting in consultation with the Municipal Manager and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General or National Treasury, and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 15 - PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the Chief Financial Officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 16 - CAPITALISATION CRITERIA: MATERIAL VALUE

All asset acquisitions that complies with the definition of PPE

All items of PPE acquired that comply with the asset definition must be capitalised in the FAR at cost and be provided for on the capital budget. These items will be bar-coded (when moveable).

No item with an initial cost or fair value of less than R1 000 (one thousand rand) – or such other amount as the Council of the municipality may from time to time determine on the recommendation of the Municipal Manager – shall be recognised as a fixed asset.

It may be appropriate to aggregate individually insignificant items, under the above material value, and apply the criteria to the aggregate value. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

Computer equipment Items such as (hard-drive, USB, CD etc) with lifespan less than 3 years shall be expensed due to the fact that management of those items is difficult as they are small and pocketed in nature and they easily catch computer viruses. This prevents a municipality having to account for such insignificant items in value.

Every GM / head of department shall, however, ensure that any item with a value in excess of R1 000 (one thousand rand), and with an estimated useful life of more than one year, shall be no longer recorded on an inventory listing but rather capitalise such item in accordance with the revised threshold of capitalisation criteria.

Every head of department shall moreover ensure that the existence of items recorded on inventory listings with a value less than R 1000 (one thousand rand) is verified from time to time, and at least once in every financial year, and any amendments which are made to such inventory listings, pursuant to such verification procedure, shall be reported to the Municipal Manager, and a record retained for audit purposes.

Group Assets

These are assets of a similar nature and usually purchased as a group. Group items identified are (examples of such assets):

- Water and electricity meters;
- Chairs for community centers and the city hall;
- Library books (purchased by the municipality).

All group asset purchases will not necessarily be tagged but must be capitalised on the Asset Register as a group and provided for on the capital budget.

An inventory list of these group assets must be maintained for control purposes and verified on an annual basis.

PART 17 - CALCULATION OF CAPITALISATION COST OF ASSETS

Initial Cost

An item of property, plant and equipment that qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are:

- The cost of site preparation,
- Initial delivery and handling costs,
- Installation and assembly costs, and
- Professional fees such as for architects and engineers that is directly applicable to the project;
- Feasibility studies will only be capitalised as cost if the capital project, for which this study was applied, will be executed. Up to the starting time of this capital project the cost of this study will be carried as work in progress. If no capital

project will flow from this study the cost will be adjusted to the accumulated surplus account.

- The initial estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent that it is recognised as a provision.
- Administrative and other general overhead costs are only a component of cost if it can be directly attributed to the acquisition or construction of the asset without which the asset could not have been brought to working condition.
- Interest on external loans that are directly attributable to the acquisition, construction or production of a qualifying asset are that interest that would have been avoided if the expenditure on the qualifying asset had not been made.

PART 18 - COSTS INCURRED ON EXISTING PPE SUBSEQUENT TO THE INITIAL RECORDING OF THE COST PRICE

Assets are often modified during their life. There are two main types of modification:

Enhancements / Rehabilitation:

This is where work is carried out on the asset that increases its service potential. Enhancements normally increase the service potential of the asset, and or may extend an asset's useful life and result in an increase in value.

These expenses are not part of the life cycle of the asset. These costs normally become necessary during the life of an asset due to a change in use of the asset or technological advances.

Expenditure of this nature relating to an asset, which has already been recognised in the financial statements, should be added to the carrying amount of that asset. The value of the asset is thus increased when it is probable that future economic benefits or service potential will flow to the municipality over the remaining life of the asset.

To be classified as capital spending, the expenditure must lead to at least one of the following economic effects:

- Modification of an item or plant to extend its useful life, including an increase in its capacity;

- Upgrading machine parts to achieve a substantial improvement in the quality of output;
- Adoption of new production processes enabling a substantial reduction in previously assessed operating costs;
- Extensions or modifications to improve functionality such as installing computer cabling or increasing the speed of a lift;
- Improve the performance of the asset.

Maintenance / Refurbishment:

Expenditure related to repairs or maintenance of property, plant and equipment are made to restore or maintain the future economic benefits or service potential that a municipality can expect from the asset.

Refurbishment of works does not extend functionality or the life of the asset, but are necessary for the planned life to be achieved. In such cases, the value of the asset is not affected, and the costs of the refurbishment are regarded as operating expense in the statement of financial performance.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Thus, if the improved performance or extended life of an asset is not beyond what has originally been estimated for the asset and the expenditure is only to bring performance back to the level that is normally expected for the asset the expenditure will be considered an operating expense.

Repair and maintenance of an asset do not negate the need to depreciate it.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and commissioning costs.

PART 19 - MAINTENANCE PLANS

Every head of department shall ensure that a maintenance/rehabilitation plan in respect of every new infrastructure asset with a value of R200 000 (two hundred thousand rand) or more is prepared and submitted to the Municipal Manager for approval.

If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned, and if the asset was impaired to any extent.

PART 20 - DEFERRED MAINTENANCE

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the Chief Financial Officer shall investigate the extent of and possible implications of such deferred maintenance, as well as any proposed by the applicable head of department in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 21 - GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 22 - DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

Depreciation shall be calculated from the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the month in which the fixed asset is brought into use, and thereafter, depreciation charges shall be calculated daily.

Each head of department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

PART 23 - WHICH ASSETS MUST BE DEPRECIATED

All assets, except land, heritage assets and biological assets, shall be depreciated - or amortised in the case of intangible assets.

Although typically disclosed together, land and buildings are separable assets and because land normally has unlimited life it is not depreciated whilst buildings are. Heritage assets such as works of art, historical buildings and statues are also not normally depreciated. The reason is that these assets have cultural significance and as such are likely to be preserved for the benefit of future generations. It should therefore be impossible to determine their useful lives.

PART 24 - RATE OF DEPRECIATION

The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life the Chief Financial Officer shall adhere to the useful lives set out in the annexure to this policy (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the

head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

PART 25 - METHOD OF DEPRECIATION

Except in those cases specifically identified in part 27 below, the Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 26 - AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the Council of the municipality of such amendment.

The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

The municipality shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

PART 27 - ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The Chief Financial Officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the Municipal Manager to provide:

- estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and
- actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the municipality of the decision in question.

PART 28 - RESIDUAL VALUES

Definition

The residual value of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Determine residual value

Residual value will be determined on PPE where practicable in terms of the definition as stated above.

The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

The residual value and an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

The residual value for the following assets is estimated to be zero as the municipality continue to use these assets beyond their economic life:

- Infrastructure assets
- Community assets
- Other assets excluding motor vehicles and laptops

PART 29 - IMPAIRMENT OF ASSETS

The Chief Financial Officer shall with the assistance of all heads of department review the carrying values (as defined in part 30) in respect of all fixed assets on an annual basis. Where the carrying value is less than the recoverable amount for an asset, such reduction shall be recorded as an Impairment loss against the operating account of the department concerned. The depreciation applicable to the asset concerned will thereafter be effected against the reduced carrying amount over the remaining estimated life of such asset.

(The policy for impairment of assets should be read together with the procedure manual)

PART 30 - CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation and accumulated impairment.

The only exceptions to this rule shall be revalued assets (see part 31 below) and heritage assets in respect of which no value is recorded in the fixed asset register.

PART 31 - REVALUATION OF FIXED ASSETS

All land and buildings recorded in the municipality's fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The Chief Financial Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The Chief Financial Officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the Chief Financial Officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

PART 32 - VERIFICATION OF FIXED ASSETS

Every head of department shall at least once during every financial year, and in compliance with the relevant written directives issued by the Chief Financial Officer, undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

The directives issued by the Chief Financial Officer shall stipulate the date(s) when such verification shall be undertaken and completed, and such date(s) shall be as close as possible to the end of each financial year.

Every head of department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification, and the resultant report shall be submitted to the Chief Financial Officer not later than 30 June of the year in question.

PART 33 - ALIENATION OF FIXED ASSETS

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Every head of department shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the Municipal Manager, indicating the process of alienation to be adopted in accordance with Section 20 of the municipality's supply chain management policy.

The Chief Financial Officer shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004.

Once the fixed assets are alienated, the Chief Financial Officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of performance of the department or vote concerned.

All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's capital replacement reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty in accordance with Section 20 of the municipality's supply chain management policy.

The Chief Financial Officer shall in July of every year report to the Council of the municipality details of all fixed assets disposed of during the immediately preceding financial year.

PART 34 - OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset other than when disposed of in accordance with part 28 above, and even though fully depreciated, shall be written off by the Chief Financial Officer only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the Municipal Manager.

Every head of department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports, and shall promptly submit a recommendation to the Council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned.

PART 35 - REPLACEMENT NORMS

The Municipal Manager, in consultation with the Chief Financial Officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the Council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 36 - INSURANCE OF FIXED ASSETS

The Chief Financial Officer shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

The Chief Financial Officer shall annually determine the premiums payable by departments in respect of the assets under their control.

The Chief Financial Officer shall determine the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The Chief Financial Officer shall annually submit a report to the Council of the municipality for approval on any insurance cover which it is deemed necessary to procure for the municipality's assets.

PART 37 - BIOLOGICAL ASSETS

Accounting for biological assets shall take place in accordance with the requirements of GRAP 101.

The Chief Financial Officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the Chief Financial Officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The Chief Financial Officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the Council of the municipality considers such insurance desirable and affordable.

PART 38 - INTANGIBLE ASSETS

Definition

Items belonging to the category 'intangible' do not have a physical form and meets the identification criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a
- related contract, asset or liability; or
- arises from contractual or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Examples of intangible items are:

- Mineral exploration rights
- Computer software (not operational software)
- Licensing rights.
- Servitudes
- Copy and patent rights
- Advertising rights
- Encroachment rights

Recognition and measurement

Intangible items are initially recorded at their cost price. Where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at date of acquisition.

After initial recognition, the municipality shall choose either the cost model or the revaluation model as its accounting policy.

If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortization and impairment losses.

Cost model

An intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation model

An intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

Useful life

The municipality shall assess whether the useful life or service potential of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential for the entity.

An intangible asset with a finite useful life is amortised and an intangible asset with an indefinite useful life is not.

Retirements and disposals

An intangible asset shall be de-recognised:

- on disposal; or
- when no more future economic benefits or service potential are expected from its use or disposal.

Review of useful life assessment

The useful life of an intangible asset that is not being amortised shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

PART 39 - RECOGNITION OF ASSETS IN FINANCIAL STATEMENTS

Recognition is the process of incorporating in the Statement of Financial Position or Statement of Financial Performance, an item that meets the definition and satisfies the criteria for recognition.

Assets are classified into categories as set out in section 8 (Classification of Assets) and the information for each category summarised in a table format is disclosed as:

- a note to the financial statements;
- the net value (carrying value at year-end), for all categories is added together and reflected as a single line item in the statement of financial position.
- An asset item should be recognised in the financial statements if it meets the:
- Probability criteria (it is probable that any future economic benefits or service potential associated with the asset will flow to the municipality);
- Measurement criteria (the asset has a cost or value that can be measured with reliability).

In many cases, cost or value must be estimated. In these circumstances the use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. When, however, a reasonable estimate cannot be made, the item is not recognised in the Statement of Financial Position or Statement of Financial Performance.

An item that possesses the essential characteristics of an asset but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary schedules. This is appropriate when knowledge of the item is considered to be relevant to the evaluation of the financial position, performance and changes in financial position of the municipality by the users of financial statements.

No asset is recognised in the Statement of Financial Position for expenditure incurred where it is improbable that economic benefit or service potential will flow to the municipality beyond the current financial year. Where the probability is low, such a transaction will result in the recognition of an expense in the Statement of Financial Performance.

Where the expenditure has been incurred in connection with an asset already recognised, consideration should be given to the probability that the expense will result in an extension of the asset's estimated useful life.

If the probability is high the expense will be added to the value of the asset in the Statement of Financial Position and written off by way of depreciation over the remaining life of the asset.

Expenditure incurred on an existing asset that will not extend the useful life or the functionality of the asset, will be reflected in the Statement of Financial Performance as an expense (maintenance).

Assets may be acquired for safety or environmental reasons. The acquisition of such assets, while not directly increasing the future economic benefits or service potential of any particular existing asset, may be necessary in order for the municipality to obtain the future economic benefits or service potential from its other assets. When this is the case, such acquisitions of assets qualify for recognition as assets, in that they enable future economic benefits or service potential from related assets to be derived by the municipality in excess of what it could derive if they had not been acquired. However, such assets are only recognised to the extent that the resulting carrying amount of such an asset and related assets does not exceed the total economic benefits or service potential that the municipality expects to recover from their continued use and ultimate disposal.

PART 40 - ANNEXURE: FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

* **Electricity**

Power stations	(30-50)
Cooling towers	(30-50)
Transformer kiosks	(30-50)
Meters	(20-50)
Load control equipment	(20-50)
Switchgear	(20-50)
Supply and reticulation networks	(20-50)
Mains	(20-50)

* **Roads**

Motorways	(15-30)
Other roads	(10-30)
Traffic islands	(10-30)
Traffic lights	(20-30)
Street lights	(15-30)
Overhead bridges	(30-50)
Stormwater drains	(20-50)
Bridges, subways and culverts	(30-50)
Car parks	(20-50)
Bus terminals	(20-50)

* **Water**

Mains	(20-50)
Supply and reticulation networks	(20-50)
Reservoirs and storage tanks	(20-50)

Meters	(15-30)
Rights (that is, the right to draw water from a particular source belonging to another party)	(20)
* Gas	
Supply and reticulation networks	(20-50)
Storage tanks	(20-50)
Mains	(20-50)
Meters	(20-50)
* Sewerage	
Sewer mains	(20-50)
Outfall sewers	(20-50)
Sewage purification works	(20-50)
Sewerage pumps	(15-30)
Sludge machines	(15-30)
* Pedestrian malls	
Footways	(15-30)
Kerbing	(15-30)
Paving	(15-30)
* Airports	
Runways	(20-50)
Aprons	(20-50)
Taxiways	(20-50)
Airport and radio beacons	(20-50)
* Security measures	
Access control systems	(5-15)
Security systems	(5-15)
Security fencing	(3-15)

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

* **Buildings and other assets**

Ambulance stations	(30-50)
Aquariums	(30-50)
Beach developments	(30-50)
Care centres	(30-50)
Cemeteries	(30-50) #
Civic theatres	(30-50)
Clinics and hospitals	(30-50)
Community centres	(30-50)
Fire stations	(30-50)
Game reserves and rest camps	(30-50)
Indoor sports	(30-50)
Libraries	(30-50)
Museums and art galleries	(30-50)
Parks	(30-50)
Public conveniences and bath houses	(30-50)
Recreation centres	(30-50)
Sports and related stadiums	(30-50)
Zoos	(30-50)

* **Recreation facilities**

Bowling greens	(20-50)
Tennis courts	(20-50)
Swimming pools	(20-50)
Golf courses	(20-50)
Jukskei pitches	(20-50)
Outdoor sports facilities	(20-50)
Organs (that is, pipe organs that are fixtures in a municipal hall or other centre)	(20-50)

Lakes and dams	(20-50)
Fountains	(20-50)
Flood lighting	(15-30)

Sum-of-units method of depreciation may be preferred.

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)
- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)

INVESTMENT PROPERTIES

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipality. However, the following will be among the most frequently encountered:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties)
- Shopping centres (again developed along similar lines)

OTHER ASSETS

The following is a list of other assets, again showing the estimated useful life in years in brackets:

* **Buildings**

Abattoirs	(30-50)
Asphalt plant	(30-50)
Cable stations	(30-50)
Caravan parks	(30-50)
Compacting stations	(30-50)
Hostels used to accommodate the public or tourists	(30-50)
Hostels for municipal employees	(30-50)
Housing schemes	(30-50)
Kilns	(30-50)
Laboratories	(30-50)
Fresh produce and other markets	(30-50)
Nurseries	(30-50)
Office buildings	(30-50)
Old age homes	(30-50)
Quarries	(30-50) #
Tip sites	(30-50) #
Training centres	(30-50)
Transport facilities	(30-50)
Workshops and depots	(30-50)

* **Office equipment**

Computer hardware	(5-10)
Computer software	(3-10)
Office machines	(3-10)
Air conditioners	(5-10)

* **Furniture and fittings**

Chairs	(7-10)
Tables and desks	(7-10)
Cabinets and cupboards	(7-10)

* **Bins and containers**

Household refuse bins	(5-10)
Bulk refuse containers	(10-15)

* **Emergency equipment**

Fire hoses	(5-10)
Other fire-fighting equipment	(15-20)
Emergency lights	(5-10)

* **Motor vehicles**

Ambulances	(5-10)
Fire engines	(20-30)
Buses	(15-20)
Trucks and light delivery vehicles	(5-10)
Ordinary motor vehicles	(5-10)
Motor cycles	(3-10)

* **Plant and equipment**

Graders	(10-15)
Tractors	(10-15)
Mechanical horses	(10-15)
Farm equipment	(5-10)
Lawn mowers	(2-10)
Compressors	(5-10)
Laboratory equipment	(5-10)
Radio equipment	(5-10)
Firearms	(5-10)
Telecommunication equipment	(5-10)
Cable cars	(15-20)

Irrigation systems	(15-20)
Cremators	(15-20)
Lathes	(15-20)
Filling equipment	(15-20)
Conveyors	(15-20)
Feeders	(15-20)
Tippers	(15-20)
Pulverising mills	(15-20)

*

Other

Aircraft	(15-20)
Watercraft	(15-20)

Sum-of-units may be preferred.

PART 41 - ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

- Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.