

# **MOHOKARE MUNICIPALITY**

## **FIXED ASSETS POLICY**

**29 May 2013**

## **Statutory framework**

The statutory framework for this Guideline is:

- The Constitution of the Republic of South Africa, 1996
- Municipal Systems Act, 2000
- Municipal Finance Management Act, 2003.

The Constitution's prime mandate for Local Government is that services are provided in a sustainable manner. (Section 152)

The MSA in sections 4(2)(d) states that a municipality has the duty to -

- strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.

## **GUIDELINES**

The accounting and reporting principles governing capital assets are covered in more detail in standard specific guidelines and should be referred to in conjunction with the Local Government Capital Asset Management Guideline (LGCAMG). Examples of accounting standards that cover assets are:

- GRAP 17 on Property, Plant & Equipment (PPE)
- GRAP 16 on Investment Properties
- GRAP 102 on Intangible Assets
- GRAP 100 on Non-current Assets Held for Sale and Discontinued Operations
- GRAP 101 on Agricultural Activities
- IAS 36 on Impairment of Assets.

Other relevant accounting standards are:

- GRAP 12 on Inventories
- GRAP 11 on Construction Contracts.

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## PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the production or supply of goods or service, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either moveable or immovable, 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.

To be recognized as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

An asset held under a finance lease, shall be recognized as a fixed asset, as the municipality has control over such an asset even though it does not own the asset.

## PART 2 ROLE OF MUNICIPAL MANAGER

As 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 3 ROLE OF CHIEF FINANCIAL OFFICER

The chief financial officer shall be responsible for the fixed asset register of the municipality, and shall ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained. Monthly reconciliations shall be performed to ensure that all the additions and disposals are captured on the asset register.

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.

## PART 4 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 recognized accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use
- 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
- where applicable, 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
- who did the (last) revaluation
- accumulated depreciation to date
- the depreciation charge for the current financial year
- 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 is required to perform basic municipal services
- 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 capitalized, 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, where after it shall be appropriately capitalized as a fixed asset. Additionally, assets with trivial values may be grouped together and captured as a separate line item in the asset register, provided that the municipality maintains a separate listing for that group of assets.

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 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirement 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)
- Heritage assets (culturally significant resources)
- Other assets (ordinary operational resources)

### INVENTORY

- Housing (rental stock or housing stock not held for capital gain)

### 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 31 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 6 INVESTMENT PROPERTIES

Investment property 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 property 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 property 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.

Investment property shall not be depreciated, but shall be annually valued on balances sheet date to determine their fair (market) value. Investment property shall be recorded in the balances sheet 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.

An expert value 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-where after it shall be reclassified as an investment property, as required by GRAP 16.11.d.

#### PART 7 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 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 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

If no original costs or fair values are available In the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For balances sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

## PART 9 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the chief financial officer.

## PART 10 SAFEKEEPING OF 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 municipality manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

## PART 11 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), 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 12 PROCEDURES 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 audit, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

### PART 13 CAPITALISATION CRITERIA: INTANGIBLE ASSETS

Intangible assets that adhere to the definition and recognition criteria of an Intangible Asset, as stipulated in GRAP 102. A municipality shall prepare an Intangible Asset Register. The chief financial officer shall reconcile the Intangible Asset Register on a monthly basis and present it to the municipal manager for approval.

### PART 14 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTAINANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalized.

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 capitalized, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalized 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 communication costs.

### PART 15 MAINTAINANCE PLANS

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality 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.

This section is not implemented at date. Implementation to be as from a date to be determined by council.

#### PART 16 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 disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved 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 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 17 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 18 DEPRECIATION OF FIXED ASSETS

All fixed, except land and heritage assets, shall be depreciated – or amortised may be defined as the systematic allocation of the depreciable amount of an asset over its useful life. *Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Useful life is defined as:*

- (a) the period over which an asset is expected to be available for use by an entity, or*
- (b) the number of production or similar units expected to be obtained from the asset by an entity*

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.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, depreciation charges shall be calculated monthly.

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 amortization of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

#### PART 19 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 document (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 20 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall systematically allocate the depreciable amount of an asset over its useful life. *Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.*

#### PART 21 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.

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, 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 capitalized 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 fixed asset in question shall bear the full depreciation expenses concerned.

## PART 22 CREATION OF NON-DISTRIBUTABLE RESERVES FOR FUTURE DEPRECIATION

NOTE: Part 22 has been prepared on the assumption that these reserves are allowed.

The chief financial officer shall ensure that in respect of all fixed assets financed from the municipality's asset financing reserve, or from grants or subsidies or contributions received from other spheres of government or from the public at large, as well as in respect of fixed assets donated to the municipality, a non-distributable reserve for future depreciation is created equal in value to the capitalized value of each fixed asset in question.

The chief financial officer shall thereafter ensure that in the case of depreciation fixed assets an amount equal to the monthly depreciation expenses of the fixed asset concerned is transferred each month from such non-distributable reserve to the municipality's appropriate account. Where there is a difference between the budgeted monthly depreciation expenses and the actual total depreciation expenses for each financial year, the chief financial officer shall appropriately adjust the aggregate transfer from the non-distributable reserve for the year concerned.

## PART 23 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.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

## PART 24 REVALUATION OF FIXED ASSETS

All land & 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 & buildings concerned fall within the boundaries 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 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 next that such balance is

inefficient 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 25 VERIFICATION OF FIXED ASSETS

Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned. Furthermore, monthly reconciliations between the financial system and the Fixed Asset register shall be performed and reviewed by delegated officials.

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 result of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

#### PART 26 ALIENATION OF FIXED ASSETS

*NOTE* : The reference to the asset financial reserve below is based on the assumption that the reserve is allowed.

In compliance with the principles and prescription 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 by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R20 000 (Twenty thousand rand).

The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

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 recognized as a loss in the income statement 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 recognized as a gain in the income statement of the department or vote concerned.

All gains realized on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed 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.

#### PART 27 OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the council of the municipality.

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed asset which such head of department wishes to have written off, stating in the full 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 asset to be written off.

The only reason 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 (see also part 22).

#### PART 28 REPLACEMENT NORMS

The municipality 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.

This section is not implemented at date. Implementation to be as from a date to be determined by council.

#### PART 29 INSURANCE OF FIXED ASSETS

The municipal manager 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 & allied perils.

If the municipal operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, 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 cognizance of the budgetary resources of the municipality.

The chief financial officer shall annually submit a report to the council of the municipal on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

#### PART 30 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 but a recognized valuer in the line of the biological asset concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expenses, 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 31 ANNEXURE : FIXED ASSET LIVES

### INFRASTRUCTURE ASSETS AND OTHER ASSETS

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

<b>Component</b>	<b>Estimated lifespan</b>		
<b>Land</b>			
Developed land		N/A	
Undeveloped land	N/A		
<b>Buildings</b>			
<b>Dwellings</b>			
Caravans	5	-	10
Children’s homes	25	-	30
Homes for the aged		25	30
Hostels		25	- 30
Military personnel dwellings		25	- 30
Mobile homes		5	- 10
Places of safety (children)	25	-	30
Prisons and rehabilitation facilities		25	- 30

Residences (presidential, embassies)		25	-	30
Residences (personnel) include garages and parking			25	-
30				
Secure care centre's		25	-	30
<b>Non Residential Dwellings</b>				
Airport and associated buildings		25	-	30
Bus terminals		25	-	30
Bus shelters	10	-	15	
Clinics and community health facilities		25	-	30
Community centres and public entertainment buildings			25	-
30				
Driver and vehicle testing centres		25	-	30
Fire stations	25	-	30	
Hospitals and ambulance stations		25	-	30
Industrial buildings	20	-	30	
Libraries	25	-	30	
Mortuaries	25	-	30	
Office buildings (including air conditioning systems)		25	-	30
Public parking (covered and open)		25	-	30
Stadiums	25	-	30	
Taxi ranks	10	-	15	
Warehouses (storage facilities, including data)			25	-
30				
<b>Other Structures (Infrastructure Assets)</b>				
<b>Electricity</b>				
Cooling towers		25	-	30
Mains	15	-	20	
<b>Meters</b>				
Prepaid		10	-	20
Credit	20	-	25	
<b>Power stations</b>				
Coal	50	-	60	
Supply/reticulation	15	-	25	
Transformers		25	-	60
<b>Lines</b>				
Underground		25	-	45
Overhead	20	-	30	
Cables		25	-	45
Substations	20	-	60	
Switchgear	20	-	30	
<b>Equipment</b>				
Outdoor	20	-	30	
GIS	15	-	30	
Indoor		30	-	40
Electrical panels	3	-	5	
Telemetry	7	-	15	
<b>Roads (Roads, Pavements, Bridges &amp; Storm Water)</b>				
<b>Bridges</b>				

Bridges - Concrete	60	-	80	
Bridges - Steel		40	-	50
Bridges - Timber	25	-	40	
<b>Pedestrian</b>				
Bridges - Concrete	60	-	80	
Bridges - Steel		40	-	50
Bridges - Timber	25	-	40	
<b>Reinforced retaining walls</b>				
Earth	10	-	15	
Concrete	25	-	30	
Expansion and construction joints		15	-	20
<b>Storm Water</b>				
Culverts	25	-	40	
Concrete	40	-	60	
Armco		25	-	40
<b>Drains</b>				
Earthworks	80	-	100	
Concrete lining		25	-	50
Stop banks	40	-	50	
Pipes	25	-	50	
Storm water outfalls		60	-	80
<b>Roads</b>				
Kerb and channels	20	-	55	
Municipal roads Asphalt surface		10	-	20
Asphalt layer		20	-	55
Concrete surface	10	-	30	
Concrete layer		20	-	55
Gravel surface		3	-	20
Crash barriers		10	-	30
Retaining walls		20	-	60
Overload control centres	15	-	20	
Electronic hardware		10	-	15
Other equipment	10	-	20	
Street lighting		20	-	55
Traffic islands		40	-	50
Traffic lights	15	-	20	
Traffic signs	5	-	15	
<b>Airports</b>				
Runways	15	-	20	
Taxiways	15	-	20	
<b>Water</b>				
Dams: Structure				
- concrete	80	-	100	
- earth		30	-	50
Mechanical and electrical	10	-	40	
Meters		10	-	20
Standpipes	5	-	20	
Metalwork (steel stairs, ladders, handrails, weirs)		10	-	30

<b>Pump stations</b>				
Structure	20	-	55	
Electrical	10	-	40	
Mechanical	10	-	40	
Perimeter protection		10	-	25
<b>Reservoirs</b>				
Structure	20	-	50	
Electrical	10	-	40	
Mechanical	10	-	40	
Perimeter protection		10	-	25
Supply/reticulation	20	-	55	
<b>Underground chambers</b>				
Valves	10	-	25	
Meters		10	-	20
Transition	10	-	15	
Other	5	-	10	
<b>Water purification works</b>				
Structure	20	-	55	
Electrical	15	-	40	
Mechanical	15	-	40	
Perimeter protection		10	-	25
Meters		10	-	15
Telemetry	10	-	15	
<b>Sewerage</b>				
Bulk pipelines (outfall sewers)				
Rising mains	20	-	50	
Gravity mains		20	-	50
<b>Sewerage pump stations</b>				
Structure	20	-	55	
Electrical	15	-	40	
Mechanical	15	-	40	
Perimeter protection		10	-	25
Metalwork	10	-	30	
Sewers/reticulation	20	-	60	
<b>Waste purification works</b>				
Structure	20	-	55	
Electrical	15	-	40	
Mechanical	15	-	40	
Perimeter protection		10	-	25
Meters		10	-	15
<b>Solid Waste Disposal</b>				
Collection				
Vehicles	5	-	10	
Containers/Bins		10	-	15
<b>Landfill site</b>				
Earthmoving and compaction equipment		10	-	15
<b>Weighbridge</b>				
Mechanical	15	-	40	

Electrical	15	-	40	
Perimeter protection		10	-	25
<b>Railways</b>				
Power supply units		25		30
Railway sidings		25	-	30
Railway tracks		15	-	20
Signalling systems	15		20	
Shunting yards		25		30
<b>Stations</b>				
Trunk receiving		40	-	50
District regulating	40	-	50	
Mains/pipelines		15	-	20
Meters		15	-	20
Storage facilities	15	-	20	
Supply/reticulation	15	-	20	
Cemeteries	25	-	30	
<b>Other Machinery and Equipment</b>				
Audiovisual equipment		5	-	10
Building air conditioning systems		5	-	10
Cellular phones (over R5 000)		0	-	2
Cellular routers		3	-	5
Domestic equipment (non kitchen appliances))			3	-
5				
Electric wire and power distribution equipment (compressors, generators & allied equipment)			5	-
7				
Emergency/rescue equipment		5	-	10
Elevator systems	15	-	20	
Farm/Agricultural equipment		5	-	15
Fire Fighting equipment		3	-	5
Fencing		5	-	25
Gardening equipment		2	-	4
Irrigation equipment		10	-	15
Kitchen appliances	5	-	10	
Laboratory equipment - Agricultural		5	-	7
- Medical testing	5	-	7	
- Roads and transport		5	-	7
Laundry equipment and industrial sewing machines			10	-
15				
Learning, training support and library material			5	-
10				
Machines for metallurgy	5	-	10	
Machines for mining and quarrying		5	-	10
Machines for textile production		10	-	15
Medical and allied equipment		5	-	10
Music instruments	10	-	15	
Photographic equipment	5	-	10	
Pumps, plumbing, purification and sanitation equipment	5	-		10

Radio equipment	5	-	7	
Road construction and maintenance equipment			10	-
15				
Saddles and other tack		5	-	7
Security equipment/systems/ materials - Fixed			3	-
5				
- Movable	3	-	5	
Sport and recreational equipment		5	-	10
Survey equipment	5	-	7	
Telecommunication equipment		3	-	10
Tents, flags and accessories		5	-	10
Woodworking machinery and equipment		5	-	10
Workshop equipment and loose tools - Fixed		5	-	10
- Movable	3	-	5	
<b>Furniture And Office Equipment</b>				
Advertising boards	3	-	5	
Air conditioners (individual fixed & portable)		3	-	5
Cutlery and crockery		5	-	10
Domestic and hostel furniture		10	-	15
Linen and soft furnishings	5	-	10	
Office equipment (including fax machines)		5	-	7
Office furniture		5	-	7
Paintings, sculptures, ornaments (home and office)		5	-	10
<b>Computer Equipment</b>				
Computer hardware including operating systems		3	-	5
Networks	5	-	10	
<b>Transport Assets</b>				
Aircraft		10	-	15
Aircraft engines		5	-	7
Airport transport equipment (stairs and luggage)		10	-	15
Busses		10	-	15
Cycles	4	-	7	
Emergency vehicles (Ambulances and fire engines)		5	-	10
Mobile clinics		10	-	15
Motor vehicles		4	-	7
Trailers and accessories		5	-	10
Trucks		5	-	7
<b>Intangible Assets</b>				
Computer software	2	-	5	

# 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 municipality environment (no asset lives are given, of course, as no ordinary depreciation will be charge against such assets):

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

### INVESTMENT PROPERTIES

It is not possible to provide an exhaustive list of investment properties, 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 development by the municipality itself or jointly between the municipality and one or more other parties)
- Shopping centres (against development along similar lines)
- Housing development (that is, development financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit)

### PART 32 ANNEXURE : PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

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

A municipality may alienate any other capital asset, but provided

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

### PART 33: NON-ROUTINE JOURNALS

- All non-routine routine journals shall be prepared and reviewed as per the delegations. A delegated official shall review the journals before it is captured on the financial system.

## ANNEXURE A: CHECKLIST

The following checklist represents a basis summary of the key controls which the municipality should perform:

<b>No</b>	<b>Description:</b>	<b>Performed?</b>
1	The fixed asset register shall include the details as per Part 4 of the above policy.	
2	Assets should be classified, as per the Part 5 of the policy, when received/purchased.	
3	All assets shall be bar-coded upon receipt of the asset,	
4	The fixed asset register shall be updated and reviewed on a monthly basis, with all the additions and disposals for that period.	
5	All assets stolen or lost shall be reported to the SAPS. The case number shall be given to the relevant Head of Department for further actions.	
6	Depreciation shall be calculated in terms of Part 18 of the above policy.	

