



# **MTHONJANENI LOCAL MUNICIPALITY**

## **FIXED ASSETS POLICY**

Revised and approved by the Mthonjaneni Municipal Council  
On 28<sup>th</sup> May 2020

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## **1. DEFINITIONS**

### **Asset**

An asset is defined as an item either movable 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.

### **Intangible Asset**

An intangible asset is an identifiable non-monetary asset without physical substance.

### **Heritage Asset**

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.

### **Property Plant and Equipment**

Property, plant and equipment are tangible items that:

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

### **Investment Property**

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes; or
- b) sale in the ordinary course of operations.

### **Cost**

Cost is 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.

### **Carrying Amount**

Carrying amount is the amount at which an asset is recognised after deducting the accumulated depreciation and accumulated impairment losses from the cost.

**Depreciation**

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

**Fair Value**

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

**Non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

**Exchange transactions**

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

**Useful Life**

- 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.

To be recognised as a fixed asset, an asset must also meet the recognition criteria referred to below:

The cost of an item of asset shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably.

An asset held under a finance lease, if it meets the remaining criteria of a fixed asset, shall be so recognized, as the Municipality has **control** over such an asset even though it does not own the asset.

**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.

### **3. ROLE OF CHIEF FINANCIAL OFFICER**

The Chief Financial Officer shall be in control of the fixed asset register of the Municipality, and shall ensure that a complete, accurate and up-to-date electronic 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.

### **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 recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

Without in any way detracting from the compliance criteria mentioned in the preceding paragraph, the fixed asset register shall reflect at least the following information:

- Detailed asset description;
- The date on which the asset was acquired or brought into use;
- The cost or purchase price of the asset;
- The original estimated useful life of the asset;
- The estimated residual value of the asset;
- The remaining useful life of the asset;
- A barcode, unique identifier, serial number (where applicable), erf number (where applicable) or other number to distinguish it from other assets;
- The location of the asset;
- The department(s) or vote(s) within which the assets will be used;
- The title deed number where applicable;
- Information on the disposal of assets which include the date, proceeds and depreciation up to the date of the disposal;
- The original cost, the revalued amount determined in compliance with 26 below, or a reasonable value if no costs are available;
- The accumulated depreciation of the asset;
- The depreciation of the asset;
- Impairment loss recognized or reversed;
- The condition of the asset;
- The person responsible for the safeguarding and maintaining the asset;
- The carrying value of the asset at the beginning and end of the reporting period;
- The method and rate of depreciation;

- Information relating to a change in accounting estimates as a result of the change in useful life or residual value – date reassessed etc.; and
- The funding source of the asset.

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 when both the definition and recognition criteria of an asset is met.

If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is completed and available for use, where after it shall be appropriately capitalised as a fixed asset.

## **5. CLASSIFICATION OF FIXED ASSETS**

In compliance with the requirements of GRAP, the Chief Financial Officer shall ensure that all fixed assets are classified under the following headings, 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:

- Biological Assets
- Community Assets
- Computer Equipment
- Electrical Infrastructure
- Furniture and Office Equipment
- Heritage Assets
- Intangible Assets
- Investment Property
- Land (excluding those held as Investment Property)
- Machinery and Equipment
- Other Assets
- Roads Infrastructure
- Solid Waste Infrastructure
- Storm Water Infrastructure
- Transport Assets
- Water Supply Infrastructure

The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see 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.

## **6. INVESTMENT PROPERTY**

Investment Property shall be accounted for in terms of GRAP 16 and shall not be classified as Property, Plant and Equipment in the Statement of Financial Position.

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 initially be measured using cost model.

In instances where Investment Property has been acquired through a non-exchange transaction, its cost shall be measured at its fair value at the date of acquisition.

Under the cost model, Investment Property are to be carried at cost less any accumulated depreciation and any accumulated impairment losses.

Under the fair value model, Investment Property shall be measured at fair value.

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 Property, plant and Equipment until it is ready for its intended use – where after it shall be reclassified as an Investment Property.

## **7. INTANGIBLE ASSETS**

The Municipality will recognize an asset as an Intangible Asset when it meets both the definition and recognition criteria.

An Intangible Asset shall be initially recognized at cost.

If an Intangible Asset is acquired through a non-exchange transaction, it shall be initially recognized at its fair value on the date of acquisition.

The Municipality may incur internal expenditure on the development and operations of its own website for internal or external use.

The stages of a website's development can be described as follows:

- a. Planning
- b. Application and infrastructure development
- c. Graphical design development; and
- d. Content development

All costs that relate to planning will be expensed.

Costs that arise only from the development of the website and is for internal or external access, shall be capitalized and classified as an Intangible Asset which has been internally generated.

The development costs must demonstrate probable future economic benefits or service potential to be capitalised as an Intangible Asset. The income must be directly connected to the website e.g. Consumers must be able to pay accounts using the website facilities.

If the Municipality is unable to demonstrate future economic benefit, then all costs incurred relating to the website costs will be expensed.

## **8. 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 Financial 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.

## **9. HERITAGE ASSETS**

A Heritage Asset will be recognized as an asset in the Fixed Asset Register of the Municipality when it meets both the definition and recognition criteria.

If the asset meets the definition and recognition criteria, the Heritage Asset will be initially measured at its cost.

If the Heritage Asset is acquired through a non-exchange transaction, it will be initially measured at its fair value.

If the Municipality has identified an asset which might be regarded as a Heritage Asset, however, the asset does not meet the recognition criteria of a Heritage Asset mainly because the cost or fair value of the asset cannot be reliably measured, the Chief Financial Officer shall disclose information relating to this asset which is relevant and useful in the notes to the Financial Statements.



## **10. 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 fair value on the date of acquisition.

## **11. 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 Municipal 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.

## **12. 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 electronic 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 requirements of the Auditor-General, 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.

## **13. 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.

## **14. CAPITALISATION CRITERIA: MATERIAL VALUE**

No item with a cost or reasonable value of less than R5 000.00 (Five 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. If the item has a cost lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

Every head of department shall, however, ensure that any item with a value in excess of R250.00 (Two Hundred and Fifty Rand), and with an estimated useful life of more than one year, shall be recorded on a stock sheet. Every head of department shall moreover ensure that the existence of items recorded on such stock sheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stock sheets pursuant to such stock verifications shall be retained for audit purposes.

#### **15. CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

Only expenses incurred in the enhancement of a fixed asset or in the material extension of the useful operating life of a fixed asset shall be capitalised.

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.

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 communication costs.

#### **16. MAINTENANCE PLANS**

Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000.00 (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.

## **17. 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 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 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.

## **18. 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 16 and 17 above) are properly maintained and in a manner, which will ensure that such assets attain their estimated useful life.

## **19. DEPRECIATION OF FIXED ASSETS**

All fixed assets, except Land and Heritage Assets, shall be depreciated – or amortised in the case of Intangible Assets.

Depreciation shall be charged on a monthly basis from the calendar month in which the 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.

In instances where there is a delay in the delivery of an asset or if the asset is not yet in the position and condition required for its use; the asset will be capitalized only when it is received or in a position and condition required for its use.

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.

## **20. 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 Annexure A of this document.

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 either by the useful lives assigned in the annexure to the fixed asset most closely comparable to the asset in question or by any appropriate statement of generally recognised accounting practice (GRAP).

## **21. METHOD OF DEPRECIATION**

Except in those cases specifically identified in 23 below, the Chief Financial Officer shall depreciate all depreciable assets using the straight-line method of depreciation over the assigned useful operating life of the asset in question.

## **22. 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.

If the Chief Financial Officer has determined that an appropriate estimate of useful lives, residual values and depreciation method of an asset was allocated which was based on information available at previous reporting dates, the Chief Financial Officer may continue to measure those assets at R1 value in the Fixed Asset Register.

These assets which the Chief Financial Officer has decided will remain at a R1 value must not be significant to the operation and service delivery objectives of the Municipality.

The Chief Financial Officer will ensure that the disclosure of these assets is made in the notes to the Financial Statements.

If the Chief Financial Officer has determined that the Municipality did not appropriately review the useful life, residual value and depreciation method of an asset and the asset is now fully depreciated, but the Municipality continues to make use of the asset, the Chief Financial Officer shall disclose a prior period error in the Financial Statements.

If the Municipality has determined that a fixed asset may have an indication of impairment, e.g. the asset has been damaged, the Municipality shall determine the recoverable amount of the asset. The recoverable amount calculated will be compared to the carrying amount of the asset.

In the instance that the carrying amount of the asset is greater than the recoverable amount, an impairment loss will be recorded in the financial records of the Municipality.

In the instance that the carrying amount of the asset is less than the recoverable amount calculated, there will be no impairment loss recorded in the financial records of the Municipality.

If an asset has been lost or stolen, 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 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 event 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.

## **23. 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.

## **24. 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 reasonable value less any accumulated depreciation.

The only exceptions to this rule shall be revalued assets and Heritage Assets in respect of which no cost or fair value is recorded in the fixed asset register.

## **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.

Every head of department shall promptly and fully report in writing to the Chief Financial Officer all relevant results 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.

## **26. DISPOSAL OF FIXED ASSETS**

In compliance with the principles and prescriptions of the Local Government: 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 each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to disposal 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 recommending the process of disposal to be adopted.

The Council shall delegate to the Municipal Manager the authority to approve the disposal of any fixed asset with a carrying value less than R5 000.00 (Five Thousand Rand).

The Council shall ensure that the disposal of any fixed asset with a carrying value equal to or in excess of R5 000.00 (Five Thousand Rand) takes place in compliance with Section 14 of the Local Government: Municipal Finance Management Act, 2003.

Once the fixed assets are disposed, the Chief Financial Officer shall update the Fixed Asset Register with the information pertaining to the disposal.

If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the Statement of Comprehensive Income. If the proceeds of the disposal, 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 Comprehensive Income.

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 disposal shall be by private treaty.

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 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.

## **27. 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 Transport Assets, Furniture and

Office Equipment, 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.

## **28. 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 and allied perils.

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 cognisance of the budgetary resources of the Municipality.

The Chief Financial Officer shall annually submit a report to the Council of the Municipality on any reinsurance cover which it is deemed necessary to procure for the Municipality's self-insurance reserve.

## **29. EFFECTIVE DATE**

The policy shall come to effect upon approval by the Council of Mthonjaneni Municipality.



## **ANNEXURE A: FIXED ASSET USEFUL LIVES**

The following is the list of assets, with the estimated useful life in years indicated:

### **A. INFRASTRUCTURE ASSETS**

#### ◆ **Electrical Infrastructure**

LV Networks	10 - 50
MV Networks	10 - 50
HV Switching Stations	10 - 50
HV Transmission Conductors	10 - 50
MV Switching Stations	10 - 50
Power Plants	10 - 50
HV Substations	10 - 50
MV Substations	10 - 50

#### ◆ **Road Infrastructure**

Roads	
- Gravel roads	10 - 25
- Concrete roads	10 - 25
- Asphalt surface roads	10 - 25
Road Structures	
- Bridges	10 - 25
- Causeways	10 - 25
- Subways	10 - 25
Road Furniture	
- Street signs	10 - 25
- Traffic lights	10 - 25
- Street Lights	10 - 25
- Street furniture	10 - 25
- Commuter shelters	10 - 25
- Guard rails	10 - 25
Capital Spares	10 - 25

#### ◆ **Water Supply Infrastructure**

Distribution Points	20 - 60
Boreholes	20 - 100
Reservoirs	20 - 60

Bulk mains	20 - 60
Distribution	20 - 60
PRV Stations	20 - 60
Capital Spares	20 - 60
Dams and Weirs	20 - 120
Pump Stations	20 - 60
Water Treatment Works	20 - 60

◆ **Storm Water Infrastructure**

Drainage Collection	10 - 50
Storm Water Conveyance	10 - 50
Attenuation	10 - 50

◆ **Solid Waste Infrastructure**

Landfill Sites	10 - 50
Waste Transfer Stations	10 - 50
Waste Processing facilities	10 - 50
Waste Drop-off Points	10 - 50
Waste Separation Facilities	10 - 50
Electricity Generation Facilities	10 - 50
Capital Spares	10 - 50

◆ **Sanitation Infrastructure**

Waste Water Treatment Works	15 - 50
Outfall Sewers	15 - 50
Pump Stations	15 - 50
Reticulation	15 - 50
Toilet Facilities	15 - 50

## B. COMMUNITY ASSETS

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

Community Facilities	
- Halls	5 - 50
- Centres	5 - 50
- Creches	5 - 50
- Clinics or Care Centres	5 - 50
- Fire or Ambulance Stations	5 - 50
- Testing Stations	5 - 50
- Museums	5 - 50
- Galleries	5 - 50
- Theatres	5 - 50
- Libraries	5 - 50
- Cemeteries	5 - 50
- Police	5 - 50
- Parks	5 - 50
- Public Open Space	5 - 50
- Nature Reserves	5 - 50
- Public Ablution Facilities	5 - 50
- Markets	5 - 50
- Stalls	5 - 50
- Abattoirs	5 - 50
- Airports	5 - 50
- Taxi Ranks or Bus Terminals	5 - 50
Sports and Recreational Facilities	
- Indoor facilities	5 - 50
- Outdoor facilities	5 - 50

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

## C. 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).

#### **D. INVESTMENT PROPERTY**

It is not possible to provide an exhaustive list of Investment Property, 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)	30
Shopping Centres (again, developed along similar lines)	30
Housing Development (that is, developments financed and managed by the Municipality itself, with the sole purpose of selling or letting such houses for profit)	30

#### **E. OTHER ASSETS**

Operational Buildings	10 - 50
- Depots	10 - 50
- Capital Spares	10 - 50
- Yards	10 - 50
- Building Plan Offices	10 - 50
- Manufacturing Plant	10 - 50
- Training Centres	10 - 50
- Laboratories	10 - 50
- Stores	10 - 50
- Workshops	10 - 50
- Pay or Enquiry points	10 - 50
- Municipal Offices	10 - 50
Housing	
- Staff Housing	10 - 50
- Capital Spares	10 - 50
- Social Housing	10 - 50

**F. INTANGIBLE ASSETS**

Computer Software	3 - 10
Websites	3 - 10

**G. COMPUTER EQUIPMENT**

Laptops	3 - 10
Desktops	3 - 10
Computer monitors	3 - 10
Computer towers	3 - 10
Computer keyboards	3 - 10
CPUs	3 - 10
Port switches	3 - 10

**H. FURNITURE AND OFFICE EQUIPMENT**

Wooden Filing Cabinet	2 - 15
Steel Filing Cabinets	2 - 15
Photocopiers	2 - 15
Printers	2 - 15
Binding Machines	2 - 15
Air conditioners	2 - 15
Chairs	2 - 15
Table and desks	2 - 15
Cupboards	2 - 15
Speakers	2 - 15
Notice Boards	2 - 15

**I. MACHINERY AND EQUIPMENT**

Household refuse bins	2 - 20
Bulk refuse containers	2 - 20
Fire Hoses	2 - 20
Other fire-fighting equipment	2 - 20
Emergency lights	2 - 20
Graders	2 - 20
Tractors	2 - 20
Mechanical horses	2 - 20
Farming Equipment	2 - 20

Lawn mowers	2 - 20
Compressors	2 - 20
Laboratory Equipment	2 - 20
Radio Equipment	2 - 20
Firearms	2 - 20
Telecommunication Equipment	2 - 20
Cable cars	2 - 20
Irrigation systems	2 - 20
Cremators	2 - 20
Lathes	2 - 20
Filling Equipment	2 - 20
Conveyors	2 - 20
Feeders	2 - 20
Tippers	2 - 20
Pulverizing mills	2 - 20
Camera	2 - 20
Television sets	2 - 20

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

#### **J. TRANSPORT ASSETS**

Ambulances	3 - 25
Fire engines	3 - 25
Buses	3 - 25
Trucks and light delivery vehicles	3 - 25
Ordinary motor vehicles	3 - 25
Motor cycles	3 - 25

**ANNEXURE B: PARAPHRASE OF SECTION 14 OF THE LOCAL GOVERNMENT: 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 part with any other capital asset, but provide: -

- the 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
- 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.

**ANNEXURE A2: ASSET TRANSFER FORM TEMPLATE**



**MTHONJANENI MUNICIPALITY**

**ASSET TRANSFER FORM**

**TRANSFEROR**

**Name of Transferor:** \_\_\_\_\_

**Date Issued:** \_\_\_\_\_

**Department Transferring:** \_\_\_\_\_

**Asset Description:** \_\_\_\_\_

**Asset Location:** \_\_\_\_\_

**Serial Number:** \_\_\_\_\_

**Bar Code No:** \_\_\_\_\_

**Signature of Transferor:** \_\_\_\_\_

**Signature of Transferring HOD:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**ASSET TRANSFEREE**

**Name of Transferee:** \_\_\_\_\_

**New Asset Location:** \_\_\_\_\_

**Date Received:** \_\_\_\_\_

**Signature of Transferee:** \_\_\_\_\_

**Signature of Receiving HOD:** \_\_\_\_\_