

**FIXED ASSET MANAGEMENT
POLICY(DRAFT)**

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2 Preamble

2.1 List of Abbreviations and Acronyms used

Abbreviation/Acronyms	Description
AFS	Annual Financial Statements
PPE	Property, Plant and Equipment
GRAP	Generally Recognized Accounting Practice
GAAP	Generally Accepted Accounting Practice
ASB	Accounting Standards Board
MFMA	Municipal Financial Management Act
TR	Treasury Regulations
PFMA	Public Finance Management Act
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
IFAC	International Federation of Accountants
SAICA	South African Institute of Chartered Accountants
ISAB	International Accounting Standards Board

2.2 Purpose of Fixed Asset Policy and Procedure Manual

- The purpose of this manual is to set out a framework of the policies and procedures on the acquisition, disposal, valuations, impairment, depreciation, of Property, Plant and Equipment
- Setting out a framework of the accounting standards that need to be applied by municipalities in South Africa when they prepare Annual Financial Statements (AFS) in terms of Generally Recognized Accounting Practice (GRAP) Statements.
- Municipalities are now required to apply the applicable standards of GRAP which prescribe the principles for the recognition of assets, determination of carrying amounts, depreciation charges and impairment losses for property, plant and equipment

2.3 Prescripts, Statements and Acts

- The Municipal Finance Management Act (MFMA)
- Accounting Standards Board (ASB)
- Generally Recognized Accounting Practice (GRAP) Statements.

Specifically the following :-

- GRAP 17 – Property, Plant and Equipment (PPE)
 - GRAP 1 – Presentation of Financial Statements
 - GRAP 3 – Accounting policies, changes in Accounting Estimates and Errors
 - GRAP 16 – Investment Property
 - GRAP 31 (102) – Intangible Assets
 - GRAP 11 – Construction Contracts
 - GRAP 103 – Heritage Assets
 - GRAP 21 – Impairment of Non-Cash generating assets
- Treasury Regulations (TR)

3 Definitions

3.1 Property, Plant and Equipment

Are tangible assets 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.
- c) are assets, 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 reporting period.

3.2 Infrastructure assets

These assets usually display some or all of the following characteristics

- a) they are part of a system or network;
- b) they are specialised in nature and do not have alternative uses;
- c) they are immovable; and
- d) they may be subject to constraints on disposal.

3.3 Investment Property

Investment property is defined as property held to earn rentals or for capital appreciation rather than the supply of services, administrative purposes or sale in the ordinary course of operations

3.4 Cost

- a) 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
- ..
- b) costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it

3.5 Depreciable Amount

is the cost of an asset, or other amount substituted for cost, less its residual value

3.6 Depreciation

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

3.7 Carrying Amount

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

3.8 Class of Asset

means a grouping of assets of a similar nature or function in an entity's operations, that is shown as a single item for the purpose of disclosure in the financial statements.

3.9 Historical Cost

Historical costs take market prices and generally take into account the time value of money. No adjustment is made for the time value of money.

3.10 Current replacement cost

Current replacement costs take market prices and generally take into account the time value of money. No adjustment is made for the time value of money

Current replacement cost refers to the cost an entity would incur to acquire the inventory at the reporting date

3.11 Realisable (Settlement) value

Net realisable value refers to the amount an entity expects to realise from the sale or use of the inventory in the ordinary course of business less the estimated cost necessary to make from that sale. No adjustment is made for the time value of money

3.12 Present value

Present value does take time value of money into account

3.13 Market value

The fair value of items of plant and equipment is usually their market value determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the

valuation profession, who holds a recognised and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market

3.14 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.

The fair value of items of plant and equipment is usually their market value determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification

3.15 Residual Value

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

3.16 Useful Life

is the period over which an asset is expected to be available for use by an entity, or useful life is the term that the entity expects to use an asset

3.17 Economic Life

is the period over which an asset is expected to be economically usable by one or more users

Economic life is the actual life span of the asset

4 Elements of Costs

4.1 Recognition of Costs

- a) The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:
 - i. it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
 - ii. the cost or fair value of the item can be measured reliably.
- b) **major spare parts and stand-by equipment** qualify as property, plant and equipment when an entity expects to use them during more than one period and are significant and material
- c) if the **spare parts and servicing equipment** can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment and are significant and material
- d) **Leased Assets** held under a finance lease are recognised as Property, plant and equipment, when the municipality has control over such an asset even though it does not own the asset.

4.2 Initial Costs

- a) Property, plant and Equipment are recognised as assets when :
 - It meets the definition
 - It is probable that future economic benefits or service will flow to the municipality
 - The cost or fair value of the asset can be measured reliably
- b) The cost of an item of property, plant and equipment comprises:
 - i. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - ii. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located
- c) directly attributable costs are:
 - i. costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment;
 - ii. costs of site preparation
 - iii. initial delivery and handling costs;
 - iv. any installation and assembly costs;
 - v. costs of testing whether the asset is functioning properly, and

- vi. professional fees

4.3 Subsequent Costs

- a) Parts of some items of property, plant and equipment may require replacement at regular intervals.
- b) Under the recognition principle, the municipality recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the de-recognition provisions
- c) A condition of continuing to operate an item of property, plant and equipment may be performing regular major inspections for faults regardless of whether parts of the item are replaced.
 - When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.
 - Any remaining carrying amount of the cost of the previous inspection is derecognised.

4.4 Measurement at Recognition

- a) An item of property, plant and equipment that qualifies for recognition as an asset should be measured at its cost, which includes all costs necessary to get it ready for its intended use
- b) Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition
- c) If an item of property, plant and equipment is acquired for no cost or at a nominal amount, it is initially recognised at fair value

4.5 Measurement after Recognition

4.5.1 Cost Model

After recognition as an asset, an item of property, plant and equipment shall be carried at its

- cost less
- any accumulated depreciation and
- any accumulated impairment losses.

4.5.2 **Revaluation Model**

(If Cost method is used do we need to have this)

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried

- at a revalued amount, being its fair value at the date of the revaluation
- less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
- Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

4.5.3 **Impairment**

- a) Cash generating assets are assets which are held with the primary objective of generating a commercial return.
- b) Non-cash generating assets are assets other than cash generating assets
- c) At each reporting date assets should be assessed whether there is an indication that an asset may be impaired
- d) The following factors External and internal factors are used to assess whether an asset is impaired
 - i. Decrease in demand or need for the services provided for the asset
 - ii. Adverse changes with long term effects in the technological , legal or government policy environment in which the entity operates
 - iii. Physical damage to the asset
 - iv. Adverse changes in the use of the asset
 - v. Cessation of construction of the asset before its completion
- e) Recognising and measuring an impairment
 - i. If the recoverable amount is less than the carrying amount, an impairment loss is recognised to reduce the carrying amount of an asset to the recoverable service amount
 - ii. The recoverable service amount of an asset is the higher of an asset's fair value less costs to sell and its value in use
 - iii. An impairment loss is recognised immediately in surplus or deficit unless it has previously been revalued in which case the impairment is treated as a revaluation decrease
 - iv. Value in use is the present value of the asset's remaining service potential

4.6 Capitalisation Threshold

- a) No item with an initial cost or fair value of less than R5 000 (five thousand rand) with exemption of office equipment, furniture and IT equipment – 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 recognized as a fixed asset.
- b) If the item has a cost or fair value lower than this capitalization benchmark, it shall be treated as an ordinary operating expense
- c) .if an asset is expected to be used for more than one reporting period, it should be capitalised, regardless of the cost of the asset
- d) Materiality must be considered but should also take into account :-
 - o The cumulative effect of individual immaterial items of PPE that were expensed during the year
 - o The cumulative year on year of all expensed items of PPE
 - o A set of assets have to be assessed as a whole

5 Format of Fixed Asset Register

- a) 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.
- b) 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 off;
 - the disposal price; and

- the date on which the asset is retired from use, if not disposed of.
- c) 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.
- d) 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, where after it shall be appropriately capitalised as a fixed asset.
- e) 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.

6 Depreciation of Property, Plant and Equipment

6.1 Depreciation

- a) All Property, Plant and Equipment, except land and heritage assets, shall be depreciated or amortised in the case of intangible assets
- b) Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management
- c) Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised
- d) An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately
- e) 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.
- f) 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.
- g) 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.
- h) The 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.
- i) 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
- j) The depreciation method applied to an asset should be reviewed at least at each reporting date. Any changes in the depreciation method should be accounted for as a change in

accounting estimate in accordance with GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors

6.2 Depreciation methods

- a) All Property, Plant and Equipment shall be depreciated on the straight-line method of depreciation over the assigned useful operating life of the asset
- b) The depreciation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity.
- c) The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service. Any changes in the depreciation method should be accounted for as a change in accounting estimate in accordance with GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

6.3 Depreciation rates

- a) Depreciation rates shall be assigned to each depreciable asset recorded on the municipality's fixed asset register, based on the useful life and residual value of each asset as per Annexure 1 attached hereto
- b) The depreciable amount of an asset is determined after deducting its residual value.
- c) The residual value and the useful life of 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 in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

6.4 Useful life

- a) The estimate of the useful life of an asset should be reviewed at least at each reporting date. Any changes in the estimated useful life or residual value of an asset should be accounted for as changes in accounting estimates and applied prospectively in accordance with GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors..
- b) The useful operating life assigned to any fixed asset may be changed, 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.

- c) 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.
- d) 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.

6.5 Residual value

- a) The estimate of the residual value of an asset should be reviewed at least at each reporting date.
- b) Any changes in the estimated useful life or residual value of an asset should be accounted for as changes in accounting estimates and applied **prospectively** in accordance with GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors..

7 De-recognition of Property, Plant, and Equipment

An item of Property, Plant and Equipment is derecognised when

- a) no further economic benefits or service potential is expected from its continuing use or disposal
- b) On disposal
- c) If an entity recognizes in the carrying amount of an item of property, plant and equipment, the cost of a replacement for part of the item, then it de-recognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately.

8 Classification of Property, Plant and Equipment

All fixed assets should be classified under the following headings in the fixed assets register:

a) **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) and
- other assets (ordinary operational resources)

b) **INVENTORY**

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

c) **INVESTMENT PROPERTY**

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

9 Identification of Property, Plant and Equipment

- a) The municipality should maintain a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.
- c) The identification system 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.

10 Capitalization Criteria : Reinstatement, Repairs and Maintenance

- a) Only expenses incurred in the enhancement of any Property, Plant and Equipment (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 Property, Plant and equipment t shall be capitalised.
- b) Expenses incurred in the maintenance or reinstatement of a Property, Plant and Equipment shall be considered as operating expenses incurred in ensuring that the useful operating life of the Property, Plant and Equipment concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.
- c) Expenses which are reasonably ancillary to the bringing into operation of Property, Plant and Equipment 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, and installation, assembly and communication costs.

11

Revaluation of Property, Plant and Equipment

- a) 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
- b) The carrying value of the land and buildings concerned should be adjusted 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.
- c) A revaluation reserve for each such fixed asset equal to the difference between the values as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.
- d) 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
- e) 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.
- f) 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.
- g) 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).

12 Inventories

- a) Inventories are defined as material or supplies to be consumed in the production process or the rendering of services, held for sale in the ordinary course of operations or in the process of production for sale or distribution.
- b) 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.
- c) 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.
- d) Measurement
 - Inventories are initially recognised at cost or when it is acquired for a nominal value or at no cost it is recognised at fair value
 - Subsequent to initial recognition, inventories are measured at the lower of cost or net realisable value
 - When inventories are held for distribution at no cost or for nominal value, it is subsequently measures at the lower of cost or current replacement cost

13 Heritage Assets

- a) Heritage assets are assets that have cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations
- b) 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 asset or assets in the fixed asset register without an indication of the costs or fair value concerned.
- c) For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note
- d) Heritage assets shall be recognized as an asset if :
 - It is probable that future economic benefits or service potential associated with the asset will flow to the entity
 - Cost or fair value of the asset can be measured reliably

14 Donated assets

- a) Where a fixed asset is donated to the municipality, or
- b) A fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties,

The assets concerned shall be recorded in the fixed asset register at its fair value,

15 Investment property

- a) Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.
- b) 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.
- c) 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.
- d) Investment assets shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value. Investment assets shall be recorded in the balance 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.
- e) An expert value shall be engaged by the municipality to undertake such valuations.
- f) 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 asset.

16 Leased assets

- a) A lease is described as an agreement that transfers the right to use an asset for an agreed period of time in exchanges for a series of payments. This includes both operating and finance leases
- b) A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other assets are classified as operating leases.
- c) At the inception of the lease, the asset and finance lease liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset. The interest rate is the interest rate implicit in the lease
- d) The asset is depreciated in accordance with the depreciation policy for owned assets and the asset is depreciated over the shorter of the lease term or useful life
- e) Disclosure in the financial statements is the carrying value of finance lease assets per asset category

17 Biological assets

- a) Accounting for biological assets shall take place in accordance with the requirements of IAS 41.
- b) 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 value 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.
- c) 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.
- d) 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.
- e) 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

18 Intangible assets

- a) An intangible asset is defined as an identifiable non-monetary asset without physical substance
- b) Intangible assets that are separately acquired are initially recognized at cost only if :
 - i. If it is probable that future economic benefits or service potential embodied in the asset will flow to the entity
 - ii. The cost of the asset can be measured reliably
- c) Where an intangible asset has been acquired for no cost or a nominal value, its fair value on the date of acquisition is deemed to be its cost
- d) Intangible assets are accounted for using the cost model
- e) Intangible assets with finite useful lives
 - i. The depreciable amount of an intangible asset with a finite useful life is amortized over that life on a systematic basis that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity
 - ii. The residual value of an intangible asset with a finite life is assumed to be zero
 - iii. Amortization commences when the asset is available for use
- f) Intangible assets with indefinite useful lives
 - i. Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis

General ANNEXURE I: FIXED ASSET USEFUL LIVES

The following is the list of assets lives as per government gazette no 31346 dated the 22nd of August 2008.

CLASSES OF ASSETS	USEFUL LIFE IN YEARS
-------------------	----------------------

PROPERTY, PLANT AND EQUIPMENT LAND:

Developed land	N/A
Undeveloped land	N/A

BUILDINGS:

Dwellings:

Caravans	10
Children's homes	30
Foreign mission dwellings	30
Homes for the aged	30
Hostels	30
Military personnel dwellings	30
Mobile homes	10
Places of safety (Children)	30
Prisons and rehabilitation facilities	30
Residences (presidential, embassies)	30
Residences (personnel) include garages and parking	30
Secure care centers	30

Non Residential Dwellings:

Airport and associated buildings (control towers, transfer halls, parking, and hangars And warehousing)	30
Border and custom control points	30
Bus terminals	30
Bus shelters	15
Civic theatres	30
Clinics and community health facilities	30
Community centers and public entertainment buildings	30
Driver and vehicle testing centers	30
Fire stations	30
Foreign mission offices	30
Hospitals and ambulance stations	30
Industrial buildings	30
Laboratories	30
Libraries	30

Mortuaries	30
Museums and art galleries	30
Office buildings (including air conditioning systems)	30
Public parking (covered and open)	30
Police stations (and associated buildings)	30
Railway and associated buildings	30
Research facilities (including weather)	30
Stadiums	30
Taxi ranks	15
Universities, colleges, schools etc	30
Warehouse (Storage facilities, including data)	30

OTHER STRUCTURES (INFRASTRUCTURE ASSETS):

ELECTRICITY:

Cooling towers	30
Mains	20
Meters:	
Prepaid	20
Credit	25
Power stations:	
Coal	60
Gas	60
Hydro	60
Nuclear	60
Supply/reticulation	80
Transformers	25
Lines:	
Underground	45
Overhead	30
Cables	45
Substations:	
Switchgear	30
Equipment:	
Outdoor	30
GIS	30
Indoor	40
Electric panels	5
Telemetry	15

ROADS (Roads, Pavements, Bridges, Storm Water):**BRIDGES****Vehicle:**

Bridges - Concrete	80
Bridges - Steel	50
Bridges - Timber	40

Pedestrian:

Bridges - Concrete	80
Bridges - Steel	50
Bridges - Timber	40

Railway:

Bridges- Concrete	80
Bridges - Steel	50
Bridges - Timber	40

Reinforced retaining walls:

Earth	15
Concrete	30
Expansion and construction joints	20

STORM WATER**Culverts:**

Concrete	40
Armco	60

Drains:

Earthworks	10
Concrete lining	50
Stop banks	50
Pipes	50

Coastal:

Structure (Retaining walls)	40
Piers	80
Storm water outfalls	80

ROADS

Kerbs and channels	50
Municipal roads – Asphalt surface	20
- Asphalt layer	50
Concrete surface	30
Concrete layer	50
Gravel surface	10
National roads - Asphalt surface	20
- Asphalt layer	50

Concrete surface	30
Concrete layer	50
Gravel surface	10
Provincial roads - Asphalt surface	20
- Asphalt layer	50
Concrete surface	30
Concrete layer	50
Gravel surface	10
Crash barriers	30
Retaining walls	60
Overload control centers	20
Electronic hardware	15
Other equipment	20
Pedestrian footpaths	30
Street lighting	40
Subways	50
Traffic Islands	50
Traffic Lights	20
Traffic lights - coastal	15
Traffic signs	15
Toll road plazas	30
AIRPORTS:	
Airports and radio beacons	30
Aprons	30
Runways	20
Taxiways	20
Specialized equipment:	
Luggage movement equipment	25
Communication equipment	15
WATER:	
Dams:	
Structure:	
- Concrete	10
- Earth	50
Mechanical and electrical	40
Meters	20
Standpipes	20
Metalwork (Steel stairs, ladders, handrails, weirs)	30
Pump stations:	
Structure	55
Electrical	40

Mechanical	40
Perimeter protection	25
Reservoirs:	
Structure	50
Electrical	40
Mechanical	40
Perimeter protection	25
Supply/reticulation:	50
Underground chambers:	
Valves	25
Meters	20
Transition	15
Other	10
Water purification works:	
Structure	55
Electrical	40
Mechanical	40
Perimeter protection	25
Meters	15
Telemetry	15
SEWERAGE:	
Bulk pipelines (outfall sewers):	
Rising mains	50
Gravity mains	50
Sewerage pump stations:	
Structure	55
Electrical	40
Mechanical	40
Perimeter protection	25
Metalwork	30
Sewers/reticulation	60
Structure	55
Electrical	40
Mechanical	40
Perimeter protection	25
Meters	15
SOLID WASTE DISPOSAL:	
Collection:	
Vehicles	10
Containers / Bins	15
Transfer stations and processing facilities:	
Structure	55

Electrical	40	
Mechanical	40	
Perimeter Protection	25	
Landfill site:		
Earthmoving and compaction	15	
Landfill preparation		N/A
Structure	55	
Weighbridge:		
Mechanical	40	
Electrical	40	
Perimeter protection	25	
RAILWAYS:		
Power supply units	30	
Railway sidings	30	
Railway tracks	20	
Signaling systems	20	
Shunting yards	30	
GAS SUPPLY SYSTEMS:		
Structure	50	
Electrical	25	
Mechanical	25	
Perimeter protection	15	
Stations:		
Trunk receiving	50	
District regulating	50	
Mains/ pipelines	20	
Meters	20	
Storage facilities	20	
Supply / reticulation	20	
CEMETERIES:	30	
CAPITAL/INFRASTRUCTURE WORK IN PROGRESS (N/A):		
Buildings		N/A
Infrastructure		
Other		
OTHER MACHINERY AND EQUIPMENT:		
Audiovisual equipment	10	
Building air conditioning systems	5	

Cutlery and crockery	10
Domestic and hostel furniture	15
Linen and soft furnishings	10
Office equipment (including fax machines)	7
Office furniture	7
Paintings, sculptures, ornaments (home and office)	10
COMPUTER EQUIPMENT:	
Computer hardware including operating systems	5
Networks	10
TRANSPORT ASSETS:	
Aircraft	5
Aircraft engines	7
Airport transport equipment (stairs and luggage)	15
Busses	15
Cycles	7
Emergency vehicles (Ambulances and fire engines)	10
Mobile clinics	15
Motor vehicles	7
Railway rolling stock	15
Ships	20
Ship engines	7
Trailers and accessories	10
Trucks	7
HERITAGE ASSETS:	
Archives	N/A
Areas of land of historic or specific significance (i.e. world heritage site)	N/A
Culturally significant buildings (parliamentary buildings)	N/A
National monuments	N/A
National parks/reserves (i.e. Kruger Park)	N/A
Paintings	N/A
Sculptures	N/A
Municipal Jewellery	N/A
Works of art	N/A
Other antiques and collections	N/A
BIOLOGICAL OR CULTIVATED ASSETS:	
Dairy cattle	N/A
Feathered animals (for eggs and feathers)	N/A

Forests and plantations	N/A
Fruit trees	N/A
Game animals	N/A
Animals for reproduction (cattle, goats, sheep, pigs)	N/A
Animals for wool or milk (goat and sheep)	N/A
Dogs (law enforcement and security)	N/A
Horses (law enforcement and working)	N/A
Plants (for production of seeds)	N/A
Vines	N/A
Other animals	N/A

INVESTMENT PROPERTY:

INTANGIBLE ASSETS:

Capitalized development costs	N/A
Computer software	5
Mastheads and publishing titles	N/A
Patents, licenses, copyrights, brand names and trademarks	N/A
Recipes, formulae, prototypes, designs and models	N/A
Service and operating rights	N/A
Other intangibles	N/A

ANNEXURE II: SUMMARY 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:

- 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.