

THE CITY OF GRAND FORKS

POLICY TITLE: Inventory Policy

POLICY NO: 807

EFFECTIVE DATE: September 15, 2014

SUPERSEDES: New

APPROVAL: Council

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POLICY:

The City of Grand Forks will record, account and disclose inventory in accordance with the Public Sector Accounting Board (PSAB) requirements and this policy.

POLICY OBJECTIVE:

The objective of this policy is to promote sound asset management accounting for inventory by establishing a framework for the consistent and accurate accounting of the City's inventory in accordance with PSAB 1201.

DEFINITIONS:

Inventory Held for Resale: Inventories held for sale are financial assets. These inventories are expected to be publicly sold by the City in an active market within one year. These assets provide resources to pay for existing liabilities or finance future operations of the City. These assets are not consumed by the City. Example are jet and aviation fuels and lands held for sale.

Inventory Held for Use or Consumption: These are tangible non-financial assets which are acquired, developed or constructed and will be used or consumed by the City in the course of its operation to provide services in the future. Examples are park benches, fuel, department parts and supplies.

Cost: Inventory will be recorded in the City records at cost being the gross amount of consideration given up and directly attributable to acquire, develop or construct the item.

Lower of cost or net realizable valuation: To determine financial statement inventory valuation at year end, the value of inventory held for use will be lower of original cost or replacement cost. Inventory held for sale valuation will be determined as lower of cost or net realizable value being the estimated selling price in the ordinary course of business.

Financial Statement Presentation: According to PSAB 1201.050 and .057 the format of the statement of financial position should report segregated by main classification: Financial assets - inventories for resale and Non-financial assets - inventories held for use or consumption respectively.

PRINCIPLES

The purpose of this policy is for the benefit of the City as a whole; for the user of the City's financial statements and managers of the City's assets. The City's financial stewardship of its inventories includes

- minimizing inventories on hand
- protecting inventories
- removal of obsolete/redundant inventory assets
- maximizing revenue potential and
- following environmentally responsible practices.

POLICY FRAMEWORK

Included in this framework are policies for

- financial accountability
- classification
- management
- valuation
- presentation and disclosure

Financial Accountability

1. Department managers and supervisors will acquire assets following the City purchasing policy requirements. Purchase orders will support inventory purchases over \$1,000.00.
2. Responsibility for receipt of inventory includes inspecting for quality and quantity and if acceptable, confirming by initialing the invoice. The inventory should be recorded in the City's financial system and protected and secured in the stockroom until needed.
3. Cost threshold of individual inventory items is the responsibility of the Manager of Operations.

Classification

1. INVENTORIES FOR USE OR CONSUMPTION

These assets have following attributes:

- a. Parts and supplies that are absolutely essential to restore services in the event the City experiences an emergency
- b. Parts and supplies needed to provide services on an ongoing basis and are not readily available (within 2 days)
- c. Custom items ordered by the City and required to provide services
- d. Unique inventory items from outside Canada.
- e. Fuels required for daily City vehicle operation
- f. Individual items with a cost greater than \$1,000.00 per unit.

2. INVENTORIES HELD FOR RESALE:

These assets include:

- a. Jet fuel
- b. Aviation fuel
- c. Land held for resale

3. Items required that do not meet these characteristics should be expensed.

Management

1. Inventory items to have on hand and quantity thresholds are the responsibility of the Manager of Operations.
2. Inventory items on hand and excluded from the count should be considered for trade in, sale by auction or tender, offered to one of the City's reporting entities, taken to the Reuse Centre at the landfill or destroyed as per the Asset Disposal Policy. These items should be removed from the City's financial system.

Valuation

1. Annually after December 31st a physical inventory count will be completed by each Department. The valuation of the physical inventory count will be determined by the Finance Department.
2. The Chief Financial Officer and Manager of Operations, prior to the physical count, will evaluate the criteria to be used in the inventory count.
3. The count sheets, provided by Finance, will be dated and signed by the Department individuals completing the physical count. The Manager of

Operations will review and approve the inventory counts before forwarding to the Finance Department for valuation.

4. The Finance Department is responsible for monitoring the application of this policy and updating the policy on a regular basis.

Presentation and Disclosure

1. The City will present in accordance with PSAB
 - a. Financial Assets – Inventories for resale
 - b. Non-financial Assets – Inventory held for use or consumption
2. The City's annual audited financial statements will disclose
 - a. Method used to determine inventory valuation costs

RELATED POLICIES

Policy No#	Policy Name
802	Contracting Authority & Purchasing
805	Asset Disposal

APPROVED BY:	DATE:
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