

Amador Water Agency

Inventory Management Policy
Reviewed and Adopted
10-08-20**100.00 Purpose of the Policy**

The purpose of this Policy is to establish a process for the recording, identification, and accountability of all assets of the Agency.

200.00 Policy

The Agency's inventory will be accounted for and inventoried at least once a year and on a more frequent basis if necessary. Inventory control is applied to movable assets, not land, buildings or other immovable assets. Inventory assets are made up of the below items.

Non Fixed Asset Items:

Items that will be consumed within one year of being placed into service.

Fixed/Capital Asset Items: Items which will extend the life of an existing infrastructure asset or possess a standalone life of greater than one year. These items can reside in inventory until being placed into service as a fixed asset. Alternatively, these items can reside in a Construction In Progress account when purchased for an ongoing capital improvement project.

Capitalization Policy:

Capitalization refers to the accumulation of all associated cost of an expenditure on the balance sheet. Depreciation is the charging of that capitalized item to an expenditure account because its useful life benefits a period greater than one year. Excluding land, capitalized fixed assets are depreciated, which refers to the manner in which the asset is expensed on the revenue and expense statement. Capital Asset Life cycles and capitalization thresholds will be applied in accordance with AWA PL Fin 002 Capital Asset Policy.

300.00 Purchasing & Receiving:

The purchasing function will serve to replenish the Agency's inventory stock and ensure operations continue. Proper purchasing will serve to maximize the Agency's cash position by minimizing idle inventory, avoiding unnecessary purchases, capitalizing on supplier quantity discounts, and using trade credit when appropriate. The purchasing Agent will strive to utilize local vendors when appropriate as referenced in AWA PL Fin 005. The Agency is encouraged to take a Just-In-Time (JIT) philosophy when purchasing all items to enhance cash flow. A key aspect of inventory control and reporting is properly relieving the items through requisitions.

Without accurate requisitioning the responsible system and/or project within the Agency will not be properly charged.

300.1 Purchasing:

All inventory purchasing will be conducted through the Agency's purchasing agent in full compliance with the existing procurement / purchasing policy AWA PL Fin 005. No inventory will be purchased by any means (e.g. Agency credit card, cash, etc.) other than a purchase order through the purchasing agent. The exception to the purchase order is for emergency purposes or critical system purchase, which may be secured by alternate means. All new purchases will be received in the Agency's Financial System before being placed into service.

300.2 Emergency Purchases:

An emergency purchase is defined as the purchase of an item that requires immediate installation or use. As soon thereafter as is practicable the purchaser/buyer shall follow the below requisitioning procedure. In addition, if the item qualifies as a fixed asset, it will require following the below tagging procedures and proper coding to a fixed /capital asset expense account allowing the Financial Services Manager to capitalize the asset at year end. The purchaser will ensure the purchasing agent and Financial Services Manager are involved on these items.

300.3 Purchasing Agent Approval:

All inventory items, including emergency purchases shall be reviewed (verbal or written) by the purchasing agent and at all times due diligence shall be employed by the purchaser regarding cost. If the purchaser is advised by the purchasing agent that the item is not within the budget, then the General Manager must authorize the purchase in accordance with AWA PL BOD 008 and AWA PL FIN 005.

300.4 Receiving & Inspecting:

Upon receipt of inventory items not purchased on an emergency basis, the purchasing agent and/or designee will have the responsibility to ensure the items are properly inspected, received in the system, invoices are properly coded and signed and forwarded to accounting for payment.

300.5 Controlling & Reporting:

300.5.1 The Agency is responsible for safeguarding its' fixed assets from theft or loss and management does recognize its responsibility to establish and maintain systems and procedures that enable employees to properly safeguard the Agency's assets. High dollar items will be subject to additional inventory tracking through tagging.

300.5.2 Tagging

The purpose of tagging assets is to provide an efficient mechanism for inventorying fixed assets. The tag should be placed in a visible and accessible place on the asset.

Tagging gives auditors a mechanism to verify that the Agency is in control of fixed assets and provide accurate records of capital expenditures. The Purchasing Agent will be responsible for maintaining a sign-out sheet to control moveable fixed assets which have been tagged. Below are guidelines to determine if an asset should be tagged.

300.5.3 Asset Tagging

If cost of the asset is greater than or equal to \$5,000 or the useful life is greater than one year, the asset will be tagged, unless it is not physically possible or practical to tag. If the asset cost is less than \$5,000 or it will be used up within one year it will not be tagged.

300.5.4 The Financial Services Manager may, for control purposes, choose to tag an item that does not meet either criterion.

300.5.5 Responsibility for Tagging

The purchasing agent places the inventory into service and is responsible for the proper tagging of that inventory.

300.5.6 Valuation

The Agency's inventory will be valued on the financial statements based on the actual cost of the item or historical cost. In addition, inventory will not get re-priced once it is initially recorded. (Alternative inventory valuation methods such as Last-In-First-Out (LIFO), First-In-First-Out (FIFO) and Average Cost are used by companies to influence cost of sales thus impacting taxable income which is irrelevant for public agencies and non-profits.) It is the responsibility of the Purchasing Agent to determine and revise appropriate inventory levels through collaborative discussions with other staff members.

300.5.7 Physical Counting:

On an annual basis, and more frequently if necessary, a physical count of all the Agency's inventory and movable fixed assets will be conducted and provided to the Financial Services Manager within 60 days of the conclusion of a fiscal year or when requested. This includes inventory which has been requisitioned and not placed into service. The report will include the item description, quantity, location, and cost. The physical count shall be the responsibility of the Purchasing Agent or delegated employee. Variances between the Agency's physical count and inventory item record will need to be thoroughly explained by any staff requesting inventory.

400.00 Policy Review

This Policy shall be reviewed at least every two years