

**City of South Bend  
Administration & Finance Policy Manual**



**2.6 Inventory Policy**

**Effective: January 1, 2010**

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**Purpose:** This policy defines the inventory accounting practice for the City of South Bend.

**Scope:** This statement applies to all governmental units, enterprise operations, and operations of the City of South Bend.

**Responsibility:** This policy is the responsibility of the Controller of the City of South Bend. Changes or revisions to this policy are affected only with the consent and approval of the Controller.

**Effective Date:** This policy is effective January 1, 2010.

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**1.0 Policy Statement**

The City of South Bend will establish and maintain a practice of inventory accounting for certain business enterprise activities and internal service operations as deemed necessary by the Controller to ensure compliance with Indiana statute and audit requirements.

**2.0 Inventory Procedures**

Inventory accounting procedures will be established for the following business enterprise and internal service operations.

Central Service – office and janitorial supplies, vehicle and equipment repair parts, vehicle fuel

Parks & Recreation – goods for resale

Water Utility – water purification chemicals, water system hardware

Blackthorn Golf – goods for resale

Specific inventory procedures and valuation methodologies will be defined in this policy and in procedure statements for each required inventory segment.

**3.0 Inventory Accounting**

All transactions will be recorded in the city general ledger accounting system following the cash transaction method of accounting. Accrual accounting methodology will be applied to affect external reporting required at year end to satisfy audit requirements and annual reporting in the Comprehensive Annual Financial Report (CAFR).

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**4.0 Inventory Valuation**

The city will adopt the FIFO (first-in / first-out) methodology and use average cost to value inventory.

**5.0 Inventory Control**

The practice of inventory accounting will include the following key principles of control:

1. Approved procedures for checking materials received and recording receipts, including quality control of materials received.
2. Approved procedures for proper control of stock room removal through authorized staff.
3. Approved procedures for issuing materials from inventory for use in job specific applications and for transferring issued material between jobs.
4. Approved procedures for periodic physical counts, including annual physical inventory.
5. Approved procedures for the valuation of inventory and reconciliation to general ledger financial control accounts.

All procedures require the approval of the applicable Department Head, Fiscal Officer and the Controller.

It is the responsibility of the Department Head and Fiscal Officer to create the necessary procedures required per this policy.