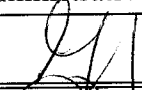




POLICY AND PROCEDURE

Subject: Inventories	Index: Finance Number: 201-12 (supercedes 201-1-9)
Effective Date: April 1, 2009	Prepared By: Finance & Administrative Services
Supersedes: September 1, 2005	Approved By: 

1.0 **PURPOSE:**

To provide policy on the valuation of inventories of the City of San Clemente.

2.0 **ORGANIZATIONS AFFECTED:**

All Divisions and Departments within the Water, Sewer and Golf Enterprise Funds

3.0 **REFERENCES:**

Not applicable.

4.0 **POLICY:**

4.1 It is the policy of the City to value its inventories at the lower of cost or market on a first-in, first-out basis.

5.0 **DEFINITIONS:**

Not applicable.

6.0 ***PROCEDURE:***

- 6.1 Inventories are established on the basis of a physical inventory and are recognized as expenditures using the purchases method in governmental funds and proprietary funds. Under the purchases method, inventories are recorded as expenditures or expenses when they are acquired, regardless of when they are used.

- 6.2 Physical inventories are performed annually, and the inventory balances are adjusted at year end to reflect the result of the physical counts. Any dollar increase or decrease in the inventory balance is allocated and adjusted to the materials and supplies expense in the respective fund. This methodology is applied to all funds covered by this policy.