

Note 5. Inventories and Related Property, Net

Inventories and Related Property, Net as of September 30, 2019, and 2018		
(In billions of dollars)	2019	Reclassified 2018
Inventory purchased for resale	68.9	68.0
Inventory and operating material and supplies held for repair	73.3	71.1
Inventory—excess, obsolete, and unserviceable	0.8	0.8
Operating materials and supplies held for use	130.8	124.7
Operating materials and supplies held in reserve for future use	27.0	18.2
Operating materials and supplies-excess, obsolete, and unserviceable	3.1	2.9
Stockpile materials held in reserve for future use	50.6	51.9
Stockpile materials held for sale	7.7	4.6
Other related property	3.3	4.2
Allowance for loss	(9.8)	(8.9)
Total inventories and related property, net.....	<u>355.7</u>	<u>337.5</u>

Inventory is tangible personal property that is either held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provision of services for a fee.

Inventory shall be categorized as one of the following:

- Held for sale or use – includes items for sale or transfer to either entities outside the federal government, or other federal entities.
- Held for repair – items that require servicing to make them suitable for sale or use.
- Excess – stock that exceeds the demand expected in the normal course of operations because the amount on hand is more than can be sold in the foreseeable future and that does not meet management’s criteria to be held in reserve for future sale or use.
- Obsolete – Items that are no longer needed due to changes in technology, laws, customs, or operations.
- Unserviceable – damaged items that are more economical to dispose of than to repair.

OM&S consists of tangible personal property to be consumed in normal operations and shall be categorized as one of the following:

- Held for sale or use – includes items for sale or transfer to either entities outside the federal government, or other federal entities.
- Held in reserve for future sale or use – items maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed.
- Held for repair – items that require servicing to make them suitable for sale or use.
- Excess – stock that exceeds the demand expected in the normal course of operations because the amount on hand is more than can be sold in the foreseeable future and that does not meet management’s criteria to be held in reserve for future sale or use.
- Obsolete – Items that are no longer needed due to changes in technology, laws, customs, or operations.
- Unserviceable – damaged items that are more economical to dispose of than to repair.

Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business. When stockpile materials are authorized to be sold, those materials shall be disclosed as stockpile materials held for sale.

Other related property consists of the following:

- Forfeited property consists of monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; property acquired by the government to satisfy a tax liability; and unclaimed and abandoned merchandise. Please refer to the financial statements of DOJ and Treasury for detailed information regarding forfeited property.
- Goods acquired under price support and stabilization programs are referred to as commodities. Commodities are items of commerce or trade having an exchange value. Please refer to the financial statements of USDA for detailed information regarding commodities.
- Seized property includes monetary instruments, real property and tangible personal property of others in the actual or constructive possession of the custodial entity. For more information on seized property, refer to the financial statements of DOJ and Treasury.
- Foreclosed property consists of any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities acquired under price support programs). For more information on foreclosed property, see Note 4—Loans Receivable and Guarantee Liabilities. Also refer to the financial statements of USDA, VA, and HUD for detailed information regarding foreclosed property.

DOD comprises approximately 82 percent of the government's inventories and related property, net, as of September 30, 2019. DOD continues to implement SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, which permits alternative methods in establishing opening balances for inventories and related property. The 2018 amounts have been reclassified for DOD to move \$4.4 billion from other related property to operating materials and supplies held in reserve for future use. This reclassification was identified at the governmentwide level and provides a more transparent view of the significant line items for Inventories and Related Property.

The following entities comprise over 98 percent of the government's reported inventories and related property, net of \$355.7 billion as of September 30, 2019. Refer to each entities' financial statements for details.

- DOD
- DOE
- HHS