

## Note 5. Inventory and Related Property, Net

<b>Inventory and Related Property, Net as of September 30, 2020, and 2019</b>		
(In billions of dollars)	<b>2020</b>	<b>2019</b>
Inventory purchased for resale .....	70.6	68.9
Inventory and operating material and supplies held for repair .....	57.8	73.3
Inventory—excess, obsolete, and unserviceable .....	0.6	0.8
Operating materials and supplies held for use .....	146.8	130.8
Operating materials and supplies held in reserve for future use .....	43.0	27.0
Operating materials and supplies-excess, obsolete, and unserviceable .....	3.1	3.1
Stockpile materials held in reserve for future use .....	55.1	50.6
Stockpile materials held for sale .....	7.5	7.7
Other related property .....	5.3	3.3
Allowance for loss .....	(10.1)	(9.8)
<b>Total inventory and related property, net .....</b>	<b>379.7</b>	<b>355.7</b>

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 above categories or in the additional listed category below:

- 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.

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 additional 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 additional 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 additional 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 additional information on foreclosed property, see Note 4—Direct Loans and Loan Guarantees Receivable, Net and Loan Guarantees Liability. Also refer to the financial statements of USDA, VA, and HUD for additional information regarding foreclosed property.

DOD comprises approximately 81.7 percent of the government's inventory and related property, net, as of September 30, 2020. 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 inventory and related property.

The following entities comprise over 99.0 percent of the government's reported inventory and related property, net of \$379.7 billion as of September 30, 2020. Refer to each entities' financial statements for additional information.

- DOD
- DOE
- Treasury
- HHS
- DHS