

Note 5. Inventory and Related Property, Net

Inventory and Related Property, Net as of September 30, 2021, and 2020		
(In billions of dollars)	2021	Restated 2020
Inventory held for current sale	72.1	69.6
Inventory held in reserve for future sale	0.9	1.0
Inventory and operating material and supplies held for repair	77.1	57.8
Inventory—excess, obsolete, and unserviceable	0.7	0.6
Operating materials and supplies held for use	158.2	149.0
Operating materials and supplies held in reserve for future use	28.6	43.0
Operating materials and supplies-excess, obsolete, and unserviceable	0.7	3.1
Stockpile materials held in reserve for future use	58.6	55.1
Stockpile materials held for sale	7.0	7.5
Other related property	4.5	5.3
Allowance for loss	(9.2)	(10.1)
Total inventory and related property, net	<u>399.2</u>	<u>381.9</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. For FY 2021, a change in presentation was identified. For FY 2021, inventory held in reserve for future sale is included as a separate amount in the table.

Inventory is categorized as one of the following:

- Held for current sale – includes items currently for sale or transfer to either entities outside the federal government, or other federal entities.
- Held in reserve for future sale – includes items being held for sale or transfer to either entities outside the federal government or other federal entities in the future.
- Held for repair – items that require servicing to make them suitable for sale or use. Inventory held for repair may be treated in one of two ways: the allowance method or the direct method. Under the allowance method, inventory held for repair is valued at the same value as a serviceable item. Under the direct method, inventory held for repair is valued at the same value as a serviceable item less the estimated repair costs.
- 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 is 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 local/national emergencies. Refer to the financial statements of DOD, DOE and HHS for additional information regarding stockpile materials.

Before selling any stockpile material, Congress must enact specific enabling legislation. When stockpile material is authorized to be sold federal entities reclassify the material from held in reserve to held for sale and disclose as stockpile

material held for sale. Stockpile material held for sale includes ores, metals, alloys, and medical supplies authorized 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—Loans Receivable, Net and Loan Guarantee Liabilities. Also refer to the financial statements of USDA, VA, and HUD for additional information regarding foreclosed property.

DOD comprises approximately 81.9 percent of the government's inventory and related property, net, as of September 30, 2021. DOD followed SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles* and corrected FY 2020 errors identified during the standalone audits of twenty-six component entities. As a result, FY 2020 OM&S has been restated to reflect the increase of \$2.2 billion reported by DOD.

The following entities are the main contributors to the government's reported inventory and related property, net of \$399.2 billion as of September 30, 2021. Refer to each entity's financial statements for additional information.

- DOD
- DOE
- Treasury
- HHS
- DHS