

## Note 5. Inventory and Related Property, Net

<b>Inventory and Related Property, net as of September 30, 2023, and 2022</b>		
(In billions of dollars)	<b>2023</b>	<b>2022</b>
Inventory held for current sale	77.7	76.3
Inventory held in reserve for future sale	1.0	0.9
Inventory and operating material and supplies held for repair	77.8	78.3
Inventory—excess, obsolete, and unserviceable	0.8	0.8
Operating materials and supplies held for use	168.0	163.5
Operating materials and supplies held in reserve for future use	30.4	29.7
Operating materials and supplies—excess, obsolete, and unserviceable	0.6	0.6
Stockpile materials held in reserve for future use	69.5	59.4
Stockpile materials held for sale	1.0	2.1
Other related property	6.8	5.5
Allowance for loss	(10.6)	(10.2)
Total inventory and related property, net	<u>423.0</u>	<u>406.9</u>

Inventory and related property, net includes inventory, OM&S, stockpile materials, forfeited property, commodities, seized property, and foreclosed property. DOD comprises approximately 80.7 percent of the government's inventory and related property, net as of September 30, 2023.

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. Examples of inventory include raw materials, finished goods, spare and repair parts, clothing and textiles, and fuels.

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.
- Excess, obsolete, and unserviceable – stock that exceeds the demand expected in the normal course of operations, items that are no longer needed, and damaged items.

OM&S consists of tangible personal property to be consumed in normal operations (e.g., spare and repair parts, ammunition, and tactical missiles) 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. Stockpile materials are not held with the intent of selling in the ordinary course of business and are restricted unless released by congressional action. Once authorized, the materials (e.g., ores, metals, alloys, and medical supplies) are reclassified to held for sale. Refer to the financial statements of DOD, DOE, and HHS for additional information regarding stockpile materials.

Other related property includes 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 and refer to the financial statements of USDA, VA, and HUD.

Additional information concerning inventory and related property can be obtained from the financial statements of DOD, DOE, Treasury, HHS, and DHS.