Office of the Inspector General
U.S. Department of Justice

Audit of the Federal Bureau of Prisons Annual Financial Statements Fiscal Year 2014

Audit Division 15-07

December 2014

FEDERAL BUREAU OF PRISONS
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2014

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Federal Bureau of Prisons (BOP) for the fiscal years (FY) ended September 30, 2014, and September 30, 2013. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the BOP's audit in accordance with auditing standards generally accepted in the United States of America. The FY 2014 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. For FY 2013, the BOP also received an unmodified opinion on its financial statements (OIG Audit Report No. 14-09).

KPMG LLP also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2014 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No instances of non-compliance or other matters were identified during the audit that are required to be reported under *Government Auditing Standards*, in the FY 2014 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.* Additionally, KPMG LLP's tests disclosed no instances in which the BOP financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, an opinion on the BOP's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the BOP's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance and other matters. KPMG LLP is responsible for the attached auditors' reports dated November 4, 2014, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with auditing standards generally accepted in the United States of America.

AUDIT OF THE
FEDERAL BUREAU OF PRISONS
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR 2014

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

MANAGEMENT'S
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U.S. Department of Justice
Bureau of Prisons
Management's Discussion & Analysis

MISSION

It is the mission of the Federal Bureau of Prisons to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

ORGANIZATION STRUCTURE

The Bureau of Prisons (BOP) encompasses the activities of the Trust Fund and appropriated activities. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR) which is a separate reporting component of the Department of Justice (DOJ).

As of September 30, 2014, the **BOP** was comprised of 120 institutions, six regional offices, two staff training centers, 26 community corrections offices, and a Central Office, or headquarters, in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations, with ten central office divisions, each led by a member of the BOP's Executive Staff, providing operational and policy direction. The Central Office manages the security and correctional operations of the BOP, the medical and psychiatric programs, and food and nutritional programs. Additionally, the Central Office plans for the acquisition, construction, and staffing of new facilities; and oversees budget development and execution, contracting, property management, and financial management. Additional operational support and direction are provided for community corrections and detention programs, legal counsel, public affairs, information resources, and human resources management.

The **National Institute of Corrections** (NIC), one of the BOP's Salaries and Expenses activities, provides technical assistance and training for state and local correctional agencies across the nation. The NIC supports the BOP's goal of building partnerships with community, state, local, and other entities. The **Program Review Division** (PRD) performs oversight of the BOP's programs through a rigorous review process that measures program effectiveness and adequacy of internal controls. The **Administration Division** (ADM) provides resources and support for the BOP to perform effectively and efficiently. This includes the development of budget requests; the stewardship of financial resources; procurement and property management; the coordination and analysis of information related to capacity; the selection of sites for new prison construction; the design and construction of new correctional facilities; and the renovation and maintenance of existing facilities. The **Correctional Programs Division** (CPD) develops activities and programs designed to appropriately classify inmates, eliminate inmate idleness, and develop the skills necessary to facilitate the successful reintegration of inmates into their communities upon release. The **Health Services Division** (HSD) has responsibilities in medical care, safety and environmental health, and food services. The health care mission is to deliver necessary health care to inmates. The occupational safety and environmental health mission is to provide a safe and healthy environment for staff and inmates. The food service mission is to provide healthy and appetizing meals that meet the needs of the general population. The **Human Resource Management Division** (HRMD) is designed to oversee and administer personnel policy and programs developed to address the needs of Bureau employees covering all areas of personnel management. The **Industries, Education, and Vocational Training Division** (IE&VT**)** encompasses the FPI program and the Bureau's Education and Inmate Transition Program. The Education Branch oversees the Bureau's recreation programs and the Bureau's education and vocational training programming. The Inmate Transition Branch works to enhance inmates' post-release employment opportunities and also oversees the Bureau's Volunteer Management Program. The **Information, Policy and Public Affairs Division** (IPPA) collects, develops, and disseminates useful, accurate, and timely information to BOP staff, DOJ, Congress, other government agencies, and the public. The **Office of General Counsel** (OGC) provides effective legal advice, assistance, and representation to officials of the Federal Bureau of Prisons. The **Reentry Services Division** (RSD) enhances oversight and direction for the critical area of offender reentry. RSD prepares inmates for reentry by focusing on reentry programming and community resource transition, thereby increasing public safety.

The **Trust Fund** was created in the early 1930s to allow inmates a means to purchase additional products and services above the necessities provided by appropriated Federal funds (e.g., personal grooming products, snacks, postage stamps, telephone services, and electronic messaging). The Trust Fund is a self-sustaining trust revolving fund account that is funded through sales of goods and services to inmates.

The BOP is subdivided into six **geographical regions** (see Attachment A), each managed by a Regional Director. Regions are staffed with personnel who provide operational guidance and support to the field locations in management and administrative areas such as financial management, budgeting, technical assistance, personnel, and correctional management.

In fiscal year 2014, the BOP operated 120 institutions spanning four main security levels in its efforts to provide secure and cost effective housing to a broad spectrum of offenders. Institutions are assigned a security classification based in part on the physical design of each facility. The four security levels are minimum, low, medium, and high. In addition, **administrative** facilities are institutions with special missions, including: detention of non-citizen or pretrial offenders, treatment of inmates with serious or chronic medical problems, and containment of extremely violent or dangerous inmates. Administrative facilities are capable of housing inmates of all security categories.

FINANCIAL STRUCTURE

The BOP was provided two appropriations by Congress for fiscal year 2014: **Salaries and Expenses** and **Buildings and Facilities.** The Salaries and Expenses (S&E) portion includes annual and multi-year appropriations, while Buildings and Facilities (B&F) is a no-year appropriation. The **Trust Fund** is not appropriated and receives spending authority from offsetting collections for revenue earned through the sale of goods and services.

The S&E appropriations are annual and multi-year appropriations that support costs associated with the care and custody of all Federal offenders in Federal institutions and contract facilities, and the maintenance and operational costs associated with the upkeep of Federal facilities, regional offices, staff training centers, and administrative offices.

The B&F appropriation is a no-year appropriation that supports site planning, acquisition, and construction of new facilities. The B&F appropriation also supports the remodeling, renovating, and equipping of existing facilities for penal and correctional use.

FY 2014 RESOURCE INFORMATION

Tables 1 and 2 summarize the activity on the BOP's Consolidated Statements of Changes in Net Position and Consolidated Statements of Net Cost. The tables show the funds provided to the BOP for the fiscal years ended September 30, 2014 and 2013 for the purpose of achieving the strategic goals.

Table 1. Source of BOP Resources
(Dollars in Thousands)

Source	FY 2014	FY 2013	Change %
Earned Revenue	$ 418,509	$ 419,593	0%
Budgetary Financing Sources			
Appropriations Received	6,859,000	6,920,217	-1%
Appropriations Transferred-In/Out	(15,832)	87,214	-118%
Other Adjustments and Other Budgetary Financing Sources	-	(540,312)	-100%
Other Financing Sources			
Donations and Forfeitures of Property	-	3	-100%
Transfers-In/Out Without Reimbursement	630	132	377%
Imputed Financing from Costs Absorbed by Others	276,950	225,500	23%
Total	**$ 7,539,257**	**$ 7,112,347**	6%

Table 2. How BOP Resources are Spent
(Dollars in Thousands)

Strategic Goal (SG)	FY 2014	FY 2013	Change %
SG 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ 8,717	$ 7,907	
Less: Earned Revenue	-	-	
Net Cost	$ 8,717	$ 7,907	10%
SG 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International levels			
Gross Cost	$ 7,843,468	$ 7,615,902	
Less: Earned Revenue	418,509	419,593	
Net Cost	$ 7,424,959	$ 7,196,309	3%
Total Gross Cost	**$7,852,185**	**$ 7,623,809**	
Less: Total Earned Revenue	**418,509**	**419,593**	
Total Net Cost of Operations	**$7,433,676**	**$ 7,204,216**	3%

ANALYSIS OF FINANCIAL STATEMENTS

Highlights of the financial and budgetary information presented in the financial statements follows.

Assets: The BOP's Consolidated Balance Sheets as of September 30, 2014, shows $7.079 billion in total assets, a decrease of $232 million from the previous year's total assets of $7.311 billion. General Property, Plant and Equipment, Net was $5.946 billion, which represents 84 percent of total assets.

Liabilities: Total BOP liabilities were $2.102 billion as of September 30, 2014, an increase of $81 million from the previous year's total liabilities of $2.021 billion. Actuarial FECA liabilities were $997 million and Accounts Payable was $374 million, which represents 47 percent and 18 percent of total liabilities, respectively.

Net Cost of Operations: The Consolidated Statements of Net Cost presents the BOP's gross and net cost by strategic goals 2 and 3. The net cost of the BOP's operations totaled $7.434 billion for the fiscal year ended September 30, 2014, an increase of $230 million (3 percent) from the previous year's net cost of operations of $7.204 billion.

Consistent with the Government Performance and Results Act (GPRA), the BOP has a formal strategic planning process that feeds into the Department's strategic plan. The BOP sets goals, measures performance, and reports annually on its actual performance compared to its goals. The Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and the Statement of Federal Financial Accounting Standard (SFFAS) No. 15, *Management's Discussion and Analysis – Standards*, require agencies to present the most significant performance measures related to information on major goals from the agency's strategic plan. Reported measures are also linked to the DOJ Strategic Goal 2, "Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law," and Strategic Goal 3, "Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels."

2014 Financial Highlights

Strategic Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law, includes preventing, suppressing and intervening in crimes against children. The Adam Walsh Child Protection and Safety Act (Walsh Act) includes a provision for the civil commitment of sexually dangerous persons due for release from BOP custody. To initiate court commitment proceedings, the BOP must certify the inmate as a "sexually dangerous person" as specified in the statute. The BOP does not have an existing performance measure for its Walsh Act efforts.

Strategic Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels, includes maintaining secure, safe, and humane correctional institutions for sentenced offenders placed in custody. The BOP develops and operates correctional programs that seek a balanced application of the concepts of punishment and deterrence with opportunities to prepare the offender for successful reintegration into society. Through the NIC, the BOP provides assistance to international, Federal, state, and local correctional agencies. The BOP conducts its incarceration function using a range of the BOP operated institutions of varying security levels, as well as the use of privately operated facilities, which includes half-way houses. In addition, the BOP houses all Washington, D.C. adult felons sentenced to a term of confinement. In FY 2014, Goal 3 net costs increased by 3 percent. This is primarily due to the receipt of additional resources to increase staffing, expand Residential Drug Abuse Treatment Programs (Second Chance Act), and to fund reentry/recidivism reducing programs.

FY 2014 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law. .1 percent of the BOP's Net Costs support this Goal.

STRATEGIC GOAL 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels. 99.9 percent of the BOP's Net Costs support this Goal.

Performance Measure: Percent of System-wide Crowding in Federal Prisons (% over rated capacity)

***FY 2013 Actual Performance:* 36%**
***FY 2014 Target:* 33%**
***FY 2014 Actual Performance:* 30%**

Performance Measure: Number of inmate participants in the Residential Drug Abuse Program

***FY 2013 Revised Actual Performance:* 15,891**
***FY 2014 Target:* 16,812**
***FY 2014 Actual Performance:* 18,102**

The FY 2013 Actual Performance Measure was revised due to the most up to date information as of September 30, 2013. Due to the Government shutdown, the revised information was not reported within the FY 2013 financial reporting window.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) provides the statutory basis for management's responsibility for and assessment of internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires Federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The Integrity Act also requires agencies to annually assess and report on the internal controls that protect the integrity of Federal programs (FMFIA Section 2) and whether financial management systems conform to related requirements (FMFIA Section 4).

Guidance for implementing the Integrity Act is provided through OMB Circular A-123, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformance with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting. The Department requires components to provide both of the assurance statements in order to have the information necessary to prepare the agency assurance statements.

FMFIA Assurance Statement

The Director of the BOP provides Reasonable Assurance that management controls and financial systems met the objectives of Sections 2 and 4 of the FMFIA, with the exception of the material weakness summarized below, for which a Corrective Action Plan has been established. In accordance with Appendix A of OMB Circular A-123, the BOP conducted its assessment of the effectiveness of internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2014, and the assessment identified no material weaknesses in the design or operations of the controls.

Controls

The BOP has a management control and financial management systems review program as required by the FMFIA. The PRD facilitates, monitors, and evaluates the BOP's implementation of the FMFIA by coordinating management assessments, thereby providing a quality assurance mechanism for the program review process. The PRD conducts reviews that examine compliance with laws, regulations, and policy for all BOP programs. In addition, reviews examine the adequacy of controls, efficiency of operations, and effectiveness in achieving program results. During fiscal years 2014 and 2013, 34 and 33 Financial Management Program Reviews, respectively, were conducted at field sites and the Central Office. The reviews covered the areas of Accounting, Budgeting, Laundry, Employee Organizations, Property Management, Commissary, and Warehouse.

Systems

For fiscal year 2014, the BOP's official reports were generated from the Financial Management Information System (FMIS) General Ledger, Cost Reporting, and Expenditure and Allotment reporting facilities. The FMIS General Ledger is supported by the following other systems: SENTRY Property Management System; SENTRY Real Property Management System; Trust Fund Accounting and Commissary System; and National Finance Center Payroll System.

Improper Payments

The Improper Payments Information Act of 2002 (IPIA), as amended, requires a risk assessment in all programs to identify those that are susceptible to significant erroneous payments. Significant erroneous payments are defined by the OMB as annual erroneous payments in a program exceeding both 1.5 percent of program payments and $10 million.

FMFIA Section 2 – Material Weaknesses

Management of the Bureau of Prisons is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The BOP assessed its internal control over the effectiveness and efficiency of operations and compliance with the applicable laws and regulations in accordance with OMB Circular A-123 as required by Section 2 of the FMFIA. Based on the results of this assessment, the BOP can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2014, was operating effectively, except for one material weakness of system-wide prison crowding.

The BOP manages the continually growing Federal inmate population by contracting with the private sector and using state and local facilities for certain groups of low-security inmates, expanding existing institutions, and building new facilities. The continued use of these approaches is expected to allow the BOP to keep pace with the growing inmate population and gradually reduce the crowding rate, thereby ensuring safe and secure operations in facilities housing Federal inmates.

FMFIA Section 4 – Material Nonconformances

The BOP management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, reviews are performed as discussed above. Specifically, the BOP performed a review of its financial management systems pursuant to Section 4 provisions of the FMFIA. No significant financial management non-conformance was found in this review.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the Government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and application of the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, there are to be no significant deficiencies in information security policies, procedures, or practices.

FFMIA Compliance Determination

During FY 2014, the BOP assessed its financial management systems for compliance with the FFMIA and determined that, when taken as a whole, they substantially comply with FFMIA. This determination is based on the results of FISMA reviews and testing performed for OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the BOP's financial statement audit.

IMPROPER PAYMENTS INFORMATION ACT OF 2002, AS AMENDED

In accordance with OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and the Departmental guidance for implementing the IPIA, as amended, the Department implemented a top-down approach to assess the risk of significant improper payments across all five of the Department's mission-aligned programs, and to identify and recapture improper payments through a payment recapture audit program. The approach promotes consistency across the Department and enhances internal control related to preventing, detecting, and recovering improper payments. Because of the OMB requirement to assess risk and report payment recapture audit activities by agency programs, the results of the Department's risk assessment and recapture activities are reported at the Department-level only.

In accordance with the Departmental approach for implementing IPERA, the BOP assessed its activities for susceptibility to significant improper payments. The BOP also conducted its payment recapture audit program in accordance with the Departmental approach. The BOP provided the results of both the risk assessment and payment recapture audit activities to the Department for the Department-level reporting in the FY 2014 Agency Financial Report.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Crowding in Federal Prisons

Most of the challenges affecting the BOP today relate to growth of the Federal inmate population. The BOP continues to rely on funding to build and acquire additional facilities to help manage its growing inmate population and reduce the crowding rate. With increasing Federal law enforcement efforts, the BOP is projecting population increases for the next several years.

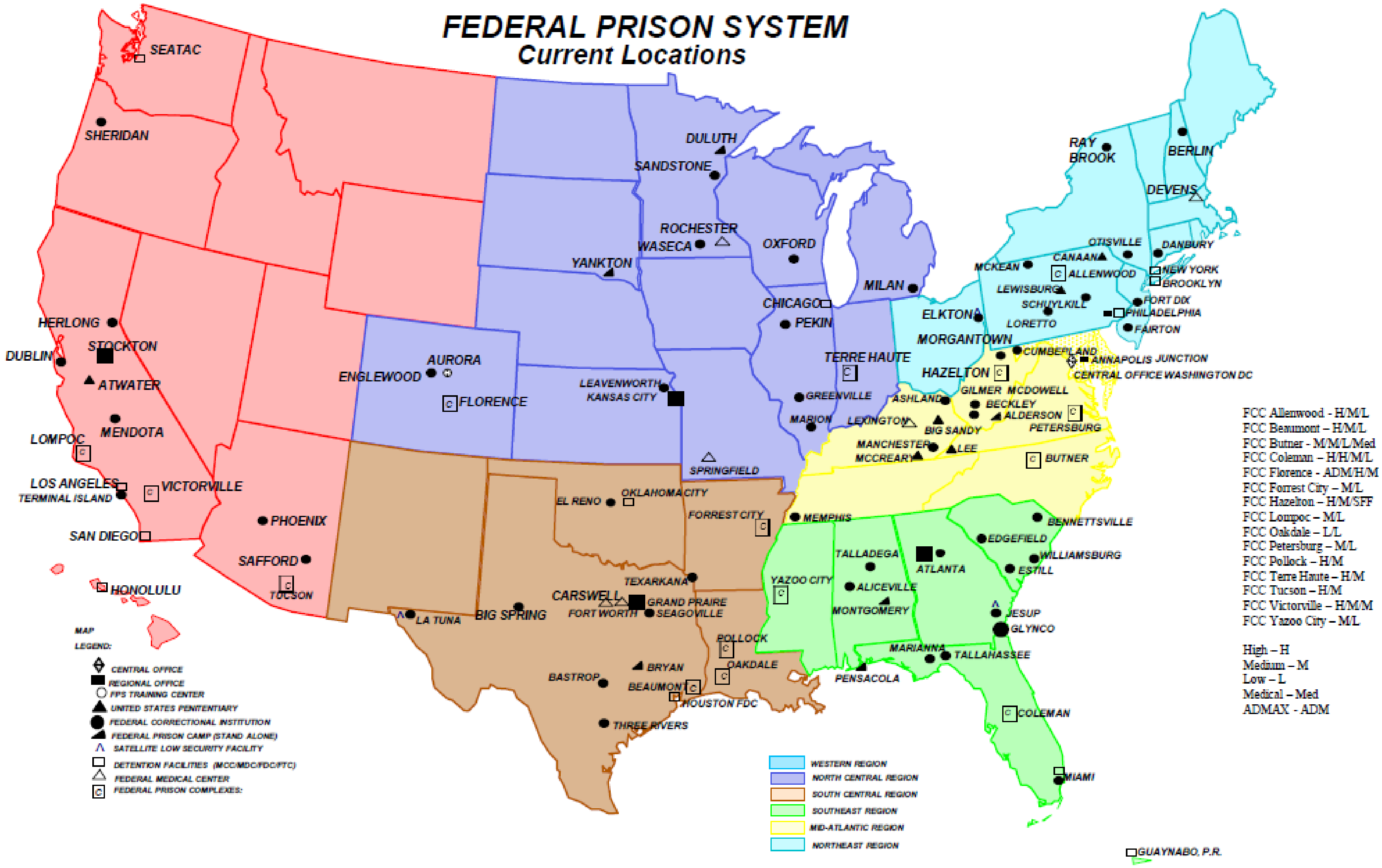
LIMITATIONS OF THE FINANCIAL STATEMENTS

- The principal financial statements have been prepared to report the financial position and results of operations of the BOP, pursuant to the requirements of 31 U.S.C. 3515(b).

- While the statements have been prepared from the books and records of the BOP in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

ATTACHMENT A



PRISON WORK CAMPS LOCATED WITH HIGHER SECURITY FACILITIES AND COMPLEXES (SATELLITE CAMPS):

ALICEVILLE, AL;ASHLAND, KY; ATLANTA, GA; ATWATER, CA; BASTROP, TX; BEAUMONT, TX; BECKLEY, WV; BENNETSVILLE, SC; BERLIN, NH;BIG SPRING, TX; BIG SANDY, KY; BUTNER, NC; CANAAN, PA; CARSWELL, TX; COLEMAN, FL; CUMBERLAND, MD; DANBURY, CT; DEVENS, MA; DUBLIN, CA; EDGEFIELD, SC; EL RENO, OK; ENGLEWOOD, CO; ESTILL, SC; FAIRTON, NJ; FLORENCE, CO; FORREST CITY, AR; FORT DIX, NJ; GILMER, WV; GREENVILLE, IL; HAZELTON, WV; HERLONG, CA; JESUP, GA; LA TUNA, TX; LEAVENWORTH, KS; LEE, VA; LEWISBURG, PA; LEXINGTON, KY; LOMPOC, CA; LORETTO, PA; MANCHESTER, KY; MARIANNA, FL; MARION, IL; MCCREARY, KY; MCDOWELL, WV; MCKEAN, PA; MEMPHIS, TN;MENDOTA, CA; MIAMI, FL; OAKDALE, LA; OTISVILLE, NY; OXFORD, WI; PEKIN, IL; PETERSBURG, VA; PHOENIX, AZ; POLLOCK, LA; SCHYULKILL, PA; SEAGOVILLE, TX; SHERIDAN, OR; TALLADEGA, AL; TERRE HAUTE, IN; TEXARKANA, TX; THREE RIVERS, TX; THOMSON,IL; VICTORVILLE, CA; WILLIAMSBURG, SC; YAZOO CITY,MS.

Produced by: Capacity Planning & Site Selection Branch
Administration Division
September 30, 2014

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

INDEPENDENT AUDITORS' REPORTS

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on the Financial Statements

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited the accompanying consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Federal Bureau of Prisons as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management’s Discussion and Analysis, and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Combined Schedule of Spending, Treasury Symbol Matrix, Prisoner Capacity Requirements, and Operating Leases as of September 30, 2014 are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014 on our consideration of the BOP’s internal control over financial reporting, and our report dated November 4, 2014 on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOP’s internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
November 4, 2014

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2014, we considered the BOP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOP's internal control. Accordingly, we do not express an opinion on the effectiveness of the BOP's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the BOP's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOP's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 4, 2014

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. Department of Justice

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the U.S. Department of Justice Federal Bureau of Prisons (BOP), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated November 4, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance and one other matter that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02, and which is described below.

Management is currently reviewing a matter related to accounting closeout procedures for a canceled appropriation, which management does not believe is a violation of the *Anti-Deficiency Act*. As of the date of this report, the outcome of this matter, and any resulting ramifications, is not known. This matter is expected to be concluded in fiscal year 2015.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the BOP's financial management systems did not substantially comply with the (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the BOP's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOP's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 4, 2014

U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

PRINCIPAL FINANCIAL STATEMENTS
AND RELATED NOTES

U.S. Department of Justice
Bureau of Prisons
Consolidated Balance Sheets
As of September 30, 2014 and 2013

Dollars in Thousands		2014		2013
ASSETS (Note 2)				
Intragovernmental				
Fund Balance with U.S. Treasury (Note 3)	$	1,085,079	$	1,033,784
Accounts Receivable, Net (Note 6)		4,130		4,348
Other Assets (Note 9)		11,089		-
Total Intragovernmental		1,100,298		1,038,132
Cash and Monetary Assets (Note 4)		454		543
Accounts Receivable, Net (Note 6)		5,041		5,053
Inventory and Related Property, Net (Note 7)		18,410		18,775
General Property, Plant and Equipment, Net (Note 8)		5,945,633		6,239,845
Advances and Prepayments		4,352		4,315
Other Assets (Note 9)		4,412		4,189
Total Assets	**$**	**7,078,600**	**$**	**7,310,852**
LIABILITIES (Note 10)				
Intragovernmental				
Accounts Payable	$	40,794	$	36,356
Accrued Federal Employees' Compensation Act Liabilities		162,818		158,816
Other Liabilities (Note 13)		35,316		31,241
Total Intragovernmental		238,928		226,413
Accounts Payable		332,795		347,010
Actuarial Federal Employees' Compensation Act Liabilities		997,135		956,439
Accrued Payroll and Benefits		74,250		61,401
Accrued Annual and Compensatory Leave Liabilities		175,406		171,578
Environmental and Disposal Liabilities (Note 11)		67,392		66,225
Deferred Revenue		2,152		2,196
Contingent Liabilities (Note 14)		10,861		4,685
Capital Lease Liabilities (Note 12)		161		8,716
Other Liabilities (Note 13)		202,880		176,621
Total Liabilities	**$**	**2,101,960**	**$**	**2,021,284**
NET POSITION				
Unexpended Appropriations - All Other Funds	$	477,632	$	437,193
Cumulative Results of Operations - Funds from Dedicated Collections (Note 15)		95,380		93,693
Cumulative Results of Operations - All Other Funds		4,403,628		4,758,682
Total Net Position	**$**	**4,976,640**	**$**	**5,289,568**
Total Liabilities and Net Position	**$**	**7,078,600**	**$**	**7,310,852**

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2014 and 2013

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 16)
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 2	**2014**	$ -	$ 8,717	$ 8,717	$ -	$ -	$ -	$ 8,717
	2013	$ -	$ 7,907	$ 7,907	$ -	$ -	$ -	$ 7,907
Goal 3	**2014**	1,752,810	6,090,658	7,843,468	27,191	391,318	418,509	7,424,959
	2013	1,671,102	5,944,800	7,615,902	20,950	398,643	419,593	7,196,309
Total	**2014**	**$ 1,752,810**	**$ 6,099,375**	**$ 7,852,185**	**$ 27,191**	**$ 391,318**	**$ 418,509**	**$ 7,433,676**
	2013	**$ 1,671,102**	**$ 5,952,707**	**$ 7,623,809**	**$ 20,950**	**$ 398,643**	**$ 419,593**	**$ 7,204,216**

Goal 2 Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law

Goal 3 Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
Bureau of Prisons
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2014

Dollars in Thousands

	2014		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	$ -	$ 437,193	$ 437,193
Budgetary Financing Sources			
Appropriations Received	-	6,859,000	6,859,000
Appropriations Transferred-In/Out	-	(15,832)	(15,832)
Appropriations Used	-	(6,802,729)	(6,802,729)
Total Budgetary Financing Sources	**-**	**40,439**	**40,439**
Unexpended Appropriations	**$ -**	**$ 477,632**	**$ 477,632**
Cumulative Results of Operations			
Beginning Balances	**$ 93,693**	**$ 4,758,682**	**$ 4,852,375**
Budgetary Financing Sources			
Appropriations Used	-	6,802,729	6,802,729
Other Financing Sources			
Transfers-In/Out Without Reimbursement	-	630	630
Imputed Financing from Costs Absorbed by Others (Note 17)	5,021	271,929	276,950
Total Financing Sources	**5,021**	**7,075,288**	**7,080,309**
Net Cost of Operations	**(3,334)**	**(7,430,342)**	**(7,433,676)**
Net Change	1,687	(355,054)	(353,367)
Cumulative Results of Operations	**$ 95,380**	**$ 4,403,628**	**$ 4,499,008**
Net Position	**$ 95,380**	**$ 4,881,260**	**$ 4,976,640**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Position (continued)
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands

	2013		
	Funds from Dedicated Collections	**All other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 649,416**	**$ 649,416**
Budgetary Financing Sources			
Appropriations Received	-	6,920,217	6,920,217
Appropriations Transferred-In/Out	-	87,214	87,214
Other Adjustments	-	(540,312)	(540,312)
Appropriations Used	-	(6,679,342)	(6,679,342)
Total Budgetary Financing Sources	**-**	**(212,223)**	**(212,223)**
Unexpended Appropriations	**$ -**	**$ 437,193**	**$ 437,193**
Cumulative Results of Operations			
Beginning Balances	**86,212**	**5,065,402**	**5,151,614**
Budgetary Financing Sources			
Appropriations Used	-	6,679,342	6,679,342
Other Financing Sources			
Donations and Forfeitures of Property	-	3	3
Transfers-In/Out Without Reimbursement	(7)	139	132
Imputed Financing from Costs Absorbed by Others (Note 17)	4,033	221,467	225,500
Total Financing Sources	**4,026**	**6,900,951**	**6,904,977**
Net Cost of Operations	**3,455**	**(7,207,671)**	**(7,204,216)**
Net Change	7,481	(306,720)	(299,239)
Cumulative Results of Operations	**$ 93,693**	**$ 4,758,682**	**$ 4,852,375**
Net Position	**$ 93,693**	**$ 5,195,875**	**$ 5,289,568**

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
Bureau of Prisons
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2014 and 2013

Dollars in Thousands		2014		2013
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$	273,674	$	395,915
Recoveries of Prior Year Unpaid Obligations		25,649		14,780
Other Changes in Unobligated Balance		(15,832)		(60,086)
Unobligated Balance from Prior Year Budget Authority, Net		283,491		350,609
Appropriations (discretionary and mandatory)		6,859,000		6,527,205
Spending Authority from Offsetting Collections (discretionary and mandatory)		418,509		415,990
Total Budgetary Resources	**$**	**7,561,000**	**$**	**7,293,804**
Status of Budgetary Resources:				
Obligations Incurred (Note 18)	$	7,260,757	$	7,020,130
Unobligated Balance, End of Year:				
Apportioned		102,538		99,040
Exempt from Apportionment		67,999		67,666
Unapportioned		129,706		106,968
Total Unobligated Balance - End of Year		300,243		273,674
Total Status of Budgetary Resources:	**$**	**7,561,000**	**$**	**7,293,804**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$	711,297	$	868,945
Obligations Incurred		7,260,757		7,020,130
Outlays, Gross		(7,220,477)		(7,162,998)
Recoveries of Prior Year Unpaid Obligations		(25,649)		(14,780)
Unpaid Obligations, End of Year		725,928		711,297
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1		(5,508)		(10,038)
Change in Uncollected Customer Payments from Federal Sources		501		4,530
Uncollected Customer Payments from Federal Sources, End of Year		(5,007)		(5,508)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$	705,789	$	858,907
Obligated balance, End of Year	$	720,921	$	705,789
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)		7,277,509		6,943,195
Less: Actual Offsetting Collections (discretionary and mandatory)		419,010		420,520
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		501		4,530
Budget Authority, Net (discretionary and mandatory)	**$**	**6,859,000**	**$**	**6,527,205**
Outlays, Gross (discretionary and mandatory)	$	7,220,477	$	7,162,998
Less: Actual Offsetting Collections (discretionary and mandatory)		419,010		420,520
Outlays, Net (discretionary and mandatory)		6,801,467		6,742,478
Less: Distributed Offsetting Receipts		7,956		4,994
Agency Outlays, Net (discretionary and mandatory)	**$**	**6,793,511**	**$**	**6,737,484**

The accompanying notes are an integral part of these financial statements.

Bureau of Prisons
Notes to the Principal Financial Statements
(Dollars in Thousands, Except as Noted)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Federal Bureau of Prisons (BOP) is a reporting entity under the Department of Justice (DOJ) and encompasses the appropriated activities of the BOP, as well as the activities of the Trust Fund. It does not include the Federal Prison Industries, Inc. (FPI) (also called UNICOR), which is a separate reporting component under the DOJ.

The BOP protects society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The Trust Fund was created by two DOJ Orders, No. 2126 on April 1, 1930, and No. 2244 on January 1, 1932. The Trust Fund operates the Commissary to provide inmates with the opportunity to procure merchandise and services not ordinarily provided by the BOP. The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the BOP as required by the Government Management Reform Act of 1994, Public Law 103-356, Section 108, Stat. 3515. These financial statements have been prepared from the books and records of the BOP in accordance with United States generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136. These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the BOP budgetary resources. To ensure that the BOP financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Assets and Other Liabilities as defined by OMB Circular A-136 have been disaggregated on the balance sheet. These include Advances and Prepayments with the public, Accrued Federal Employees' Compensation Act (FECA) Liabilities, Accrued Payroll and Benefits, Accrued Annual and Compensatory Leave Liabilities, Deferred Revenue, and Capital Lease Liabilities.

1. Summary of Significant Accounting Policies (continued)

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the BOP. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources are combined statements for the fiscal years ended September 30, 2014, and 2013 and as such, intra-entity transactions have not been eliminated.

D. Basis of Accounting

The financial statements have been prepared and transactions have been recorded on an accrual and budgetary bases of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements.

These statements were prepared in accordance with GAAP. GAAP for Federal entities are the standards prescribed by the FASAB, which is designated as the official accounting standards-setting body for the Federal Government (Government) by the American Institute of Certified Public Accountants. The Statements of Federal Financial Accounting Standards (SFFAS) that were in effect as of September 30, 2014, were followed in the preparation of these financial statements.

E. Non-Entity Assets

A portion of the BOP's Fund Balance with the U.S. Treasury (Treasury) and Accounts Receivable is accounted for as a Non-Entity Asset and disclosed in Note 2. Non-Entity assets are assets held by the BOP but are not available for use by the BOP. The majority of non-entity assets are comprised of prisoner monies held in trust by the Treasury. This amount also includes certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts. These transactions were processed by commercial banks for deposit to fund accounts maintained at the Treasury.

F. Fund Balance with U.S. Treasury, and Cash and Monetary Assets

Funds with the Treasury represent appropriated and trust funds available to pay current liabilities and finance future authorized purchases. Certain receipts are processed by commercial banks for deposit to the BOP appropriation or fund accounts. In addition, the BOP has been granted and maintains imprest funds at many locations that are also included in the BOP's cash balance.

1. Summary of Significant Accounting Policies (continued)

G. Investments

The Government does not set aside assets to pay future benefits or other expenditures associated with the Trust Fund. Treasury securities are an asset to the BOP and a liability to the Treasury. Because the BOP and the Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the BOP with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the BOP requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Beginning in fiscal year 1995, the Trust Fund was granted authority (Public Law 103-317, Section 107) to invest funds in excess of operating needs in securities guaranteed by the Treasury. In November 1994, the Trust Fund began participating in the Federal Investment Counseling Program through the Treasury. The Treasury charges no commissions or transaction fees for participating in the program. Investments are made in any U.S. Government securities available to the public. The amount and length of investments are determined after careful review of cash balances available to defray outstanding payables and other liabilities.

Investments in U.S. Government securities are reported at cost, net of amortized discounts. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The interest received on these securities is captured in the Trust Fund and is used to defray its general operating expenses.

H. Accounts Receivable

Accounts receivable are largely comprised of receivables with the public. Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for uncollectible accounts. The BOP establishes an allowance for uncollectible accounts when it is more likely than not that the accounts receivable will not be collected.

1. Summary of Significant Accounting Policies (continued)

I. Inventory and Related Property

The Trust Fund Commissary inventories are comprised of merchandise on hand at 97 reporting sites located in the United States and Puerto Rico. Inventories consist of merchandise that is either not normally provided by the BOP or are of a different quality than is regularly issued. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items.

The Trust Fund Commissary inventories are stated at latest acquisition cost, which is adjusted using the Consumer Price Index (CPI) for the year to approximate the value of the inventory under the First-In-First-Out (FIFO) accounting methodology.

J. General Property, Plant and Equipment

The BOP owns the majority of land and buildings in which it operates and capitalizes them on its records. Real property is capitalized based upon the total acquisition cost. Depreciation is applied to program areas based upon the percentage of space occupied. Real property acquisitions equal to or greater than $100 thousand are capitalized. Real property acquisitions are capitalized and depreciated by the automated SENTRY Real Property Management System (SRPMS).

Personal property acquisitions are capitalized and depreciated by the automated SENTRY Property Management System (SPMS). Physical inventories are conducted annually and adjustments are made as necessary. Any equipment with an acquisition cost of less than $5 thousand is expensed when purchased.

The following chart represents the maximum depreciation years for BOP's property:

BOP Depreciation Schedule	
Buildings	30
Equipment	10
Leasehold Improvements	*
Other Structures & Facilities	20
Internal Use Software	7
Vehicles	10
Assets Under Capital Lease	*

*** Depreciation based on the lesser of the lease term or useful life of the asset.**

1. Summary of Significant Accounting Policies (continued)

J. General Property, Plant and Equipment (continued)

DOJ Financial Management Policy Memorandum (FMPM) 13-12, *Capitalization of General Property, Plant, and Equipment and Internal Use Software*, was issued in FY 2013 with an effective date for reporting periods ending after September 30, 2014. Early implementation of the policy's increased capitalization thresholds was encouraged beginning October 1, 2012. For financial statement purposes, the primary change in FY 2013 related to the capitalization threshold for internal use software which resulted in a decrease to the overall PP&E balance in FY 2013. The BOP plans to implement the increased real and personal property capitalization thresholds in FY 2015.

Below are the capitalization thresholds:

Type of Property	FY 2014 Thresholds	FY 2013 Thresholds
Real Property	$100	$100
Personal Property	$5	$5
Aircraft	N/A	N/A
Internal Use Software	$5,000	$5,000

Except for land, all general PP&E will be capitalized when the cost of acquiring or improving the property meets the threshold noted in the table above and has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Except for land, all general PP&E is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset. Land is never depreciated.

K. Advances and Prepayments

Advances and prepayments classified as assets of the BOP on the balance sheet represent funds disbursed to individuals and other organizations for which goods or services have not yet been provided.

This amount also includes the current balance of travel advances, issued to Federal employees in advance of official travel. Amounts issued are limited to per diem expenses expected to be incurred by the employees during official travel. For Federal employees who anticipate and plan for travel, advances are permitted up to 80 percent of per diem. Actual reimbursements are made at 100 percent of per diem.

The BOP's amount also includes advances that arise whenever the BOP provides money to state and local governmental agencies to fund correctional study programs. Advances and prepayments involving other Federal agencies are classified as other assets on the balance sheet.

1. Summary of Significant Accounting Policies (continued)

L. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the BOP as the result of a transaction or event that has already occurred. However, no liability can be paid by the BOP absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 10.

M. Contingencies and Commitments

Contingencies

The BOP is party to various administrative proceedings, legal actions, and claims related to contract disputes, employee claims under the Fair Labor Standards Act, and inmate claims under the Federal Tort Claim Act and other legal matters. These claims are of a nature considered normal for a Government law enforcement agency. In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 12, *Recognition of Contingent liabilities from Litigation*, the BOP has probable and reasonably possible losses arising from litigation. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 14, Contingencies and Commitments. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered "remote."

N. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the corresponding liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources.

Sick leave and other types of non-vested leave are expensed as taken.

O. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

1. Summary of Significant Accounting Policies (continued)

P. Retirement Plans

With few exceptions, employees of the Department are covered by one of the following retirement programs:

1. Employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS). The BOP contributes 7 percent of the gross pay for regular and 7.5 percent for law enforcement officers.
2. Employees hired January 1, 1984 or later, are covered by the Federal Employees Retirement System (FERS).
    a. Employees hired January 1, 1984 through December 31, 2012, are covered by the FERS. The BOP contributes 11.9 percent of the gross pay for regular employees and 26.3 percent for law enforcement officers.
    b. Employees hired January 1, 2013 through December 31, 2013, are covered by the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). The BOP contributes 9.6 percent of the gross pay for regular employees and 24 percent for law enforcement officers.
    c. Employees hired January 1, 2014 or later are covered by the Federal Employees System-Further Revised Annuity Employees (FERS-FRAE). The BOP contributes 9.6 percent of the gross pay for regular employees and 24 percent for law enforcement officers.

All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS and FERS-RAE, a TSP account is automatically established to which the BOP is required to contribute an additional 1 percent of gross pay and match employee contributions up to 4 percent. No Government contributions are made to the TSP accounts established by the CSRS employees. The BOP does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). SFFAS No. 5 requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 17, Imputed Financing from Costs Absorbed by Others, for additional details.

1. Summary of Significant Accounting Policies (continued)

Q. Federal Employee Compensation Benefits

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for BOP employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the BOP. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The DOL calculates the liability of the Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. This method utilizes historical benefit payment patterns related to a specified incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Government liability was then distributed by the agency. The DOJ portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the DOJ employees. The DOJ allocates the liability to the BOP on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total DOJ payments made over the same period.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the DOJ.

Accrued Liability: The accrued FECA liability is the difference between the FECA benefits paid by the FECA SBF and the agency's actual cash payments to the FECA SBF. For example, the FECA SBF will pay benefits on behalf of an agency through the current year. However, most agencies' actual cash payments during the current year to the FECA SBF will reimburse the FECA SBF for benefits paid through a prior fiscal year. The difference between these two amounts is the accrued FECA liability.

R. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the Government. Costs and earned revenues with the public represent exchange transactions made between the reporting entity and a non-federal entity. The classification of revenue or cost as "intragovernmental" or "with the public" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources

The BOP receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures to support its programs. Appropriations are recognized as budgetary financing sources at the time the related program or administrative expenses are accrued. Additional amounts are obtained through reimbursements for services and donated property.

The BOP receives the majority of its exchange revenues for daily care, maintenance, and housing of state and local offenders; medical services outside of the BOP provided to the United States Marshals Service's prisoners; meals provided to the BOP staff; rental of staff housing on institution premises; utilities used by the FPI; purchase card rebates; and recycling income.

The amount billed to house state prisoners is based on the average inmate per capita rate for the security level of the institution where the prisoner is housed. The price of meal tickets for institution employees is calculated using the annual per capita cost for providing meals to inmates. Rental rates for employee housing on institution premises are calculated using the Regional Survey Method: base rental rates are established by means of a series of economic models that utilize typical rates for comparable private rental housing in the established communities nearest to the sites in which the quarters are located. The amount charged for steam purchased by the FPI is the actual cost incurred by the BOP during the production of the utility provided. Purchase card rebates are calculated based on productivity and sales. Recycling income is based on the weight and/or volume of material being recycled.

Trust Fund profits are utilized for continued operations and programs that benefit the inmate population. The Trust Fund receives no appropriated funds. The Trust Fund receives the majority of its funding through revenues generated by the sale of merchandise, telephone services, electronic messaging through the Trust Fund Limited Inmate Computer System (TRULINCS), and TRUGRAM. TRULINCS was fully implemented as of February 2011, and provides inmates with some limited computer access. TRULINCS is funded completely by the Trust Fund Appropriation. A TRUGRAM is an electronic funds transfer service provided by the BOP through MoneyGram that allows Federal inmates to transfer funds and an associated message to an individual in the public, who can receive the funds at one of MoneyGram's locations throughout the United States, Puerto Rico, Virgin Islands, and Guam. Regular items sold through the institution commissaries are marked-up 30 percent from their per unit cost. They are then rounded to the nearest nickel to determine selling price. In rare instances when taxes (whether state, local, or Federal) are included, the per unit tax amount is added to the marked-up price before rounding. Should the selling price ever exceed the manufacturer's printed price, the printed price shall be set even if it is on odd cents.

1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources (continued)

The Trust Fund also earned other revenue from medical co-payments, vendor commissions, and recycling income. As of March 2004, friends and family members are able to send money to inmates electronically. Funds are deposited directly to an inmate's account within a few hours. A commission based on transaction volume is received from the vendor. As of October 2005, inmates pay a $2 per visit co-pay for in-house medical appointments. Twenty-five percent of the co-pay is retained by the Trust Fund and the other percent is paid to the Office of Justice Programs Crime Victims Fund. Trust Fund Debit Card Vending has been limited to the sale of credits through the commissary for services such as copies and the use of washer and dryers. Trust Fund revenue also includes investment income.

The Trust Fund has deferred revenue for the inmate Telephone System and the TRULINCS, which include the amount of phone credits and TRU-units purchased by inmates that have not been used as of September 30, 2014.

T. Funds from Dedicated Collections

SFFAS No. 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, defines 'funds from dedicated collections' as being financed by specifically identified revenues, provided to the Government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. The three required criteria for a fund from dedicated collections are:

1. A statute committing the Government to use specifically identified revenues and/or other financing sources that are originally provided to the Government by a non-federal source only for designated activities, benefits, or purposes;
2. Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Government's general revenues.

The following fund meets the definition of funds from dedicated collections: Trust Fund – 15X8408.

1. Summary of Significant Accounting Policies (continued)

U. Allocation Transfer of Appropriations

The BOP is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department.

Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

The BOP allocates funds to the Public Health Service (PHS). The PHS provides a portion of the medical treatment for Federal inmates. Money is transferred from the BOP to PHS, and is designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses. The amounts transferred to PHS from the BOP totaled $108 million and $106 million for the fiscal years ended September 30, 2014 and 2013, respectively, and are not material to PHS, therefore they are included as part of these financial statements.

V. Tax Exempt Status

As an agency of the Government, the BOP is exempt from all income taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

W. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

X. Reclassifications

The FY 2013 financial statements were reclassified to conform to the FY 2014 Departmental and OMB financial statement presentation requirements. The reclassification had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources as previously reported.

1. Summary of Significant Accounting Policies (continued)

Y. Subsequent Events

Subsequent events and transactions occurring after September 30, 2014 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

2. Non-Entity Assets

Non-entity assets are assets that are held by an entity but are not available for use by the entity. Non-entity assets as of September 30, 2014 and 2013 are presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Intragovernmental		
Fund Balance With U.S. Treasury	$ 64,367	$ 54,864
With the Public		
Accounts Receivable, Net	426	422
Total With the Public	426	422
Total Non-Entity Assets	64,793	55,286
Total Entity Assets	7,013,807	7,255,566
Total Assets	$ 7,078,600	$ 7,310,852

3. Fund Balance with U.S. Treasury

The Fund Balance with the Treasury as reported in the financial statements represents the unexpended cash balances in the BOP's accounting records for all the BOP Treasury Symbols at September 30, 2014 and 2013. The fund balances with the Treasury are presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Fund Balances		
Trust Fund	$ 90,639	$ 88,136
General Funds	930,073	890,784
Other Fund Types	64,367	54,864
Total Fund Balances with U.S. Treasury	$ 1,085,079	$ 1,033,784
Status of Fund Balances		
Unobligated Balance - Available	$ 170,537	$ 166,706
Unobligated Balance - Unavailable	129,706	106,968
Obligated Balance not yet Disbursed	720,921	705,789
Other Funds (With)/Without Budgetary Resources	63,915	54,321
Total Status of Fund Balances	$ 1,085,079	$ 1,033,784

The fund balance with the Treasury as reported in these financial statements and notes have been adjusted to account for the difference from that reported by the Treasury. The reported balance in the BOP's general ledger account, Fund Balance with the Treasury, before any adjustments, was $7,366 thousand greater than and $1,402 thousand greater than the actual fund balance reported by the Treasury as of September 30, 2014 and 2013, respectively. Routinely, two types of differences arise. First, differences are created between the accounting records of the BOP and the Treasury because of the timing of transaction inputs corresponding with cash receipts and disbursements. Second, differences are created by data input errors and remain until the necessary correcting entries are processed by the BOP's or the Treasury's accounting systems. The BOP operates a decentralized accounting system with 112 agency location codes. Any cause for reconciliation must be done individually by location.

For the Trust Fund, this amount represents the aggregate balance of the Trust Fund's cash accounts with the Treasury under the account symbol 15X8408. This item also represents the total amount of all obligated and unobligated undisbursed account balances with the Treasury as reflected in the Trust Fund's records. The Trust Fund's general ledger balance for Fund Balance with the Treasury, before any adjustments, was $1,472 thousand greater than and $976 thousand greater than the actual amount reported by each of the BOP's accounting stations to the Treasury as of September 30, 2014 and 2013, respectively.

3. Fund Balance with U.S. Treasury (continued)

The unobligated balance for annual and multi-year budget authority may be used to incur new obligations for the purpose specified by the appropriation act. Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance becomes unavailable and may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances are still subject to the annual apportionment and allotment process.

The total status of fund balances includes funds without budgetary resources. Other funds without budgetary resources are composed of prisoner monies held in trust by the Treasury and certain receivables and receipts of cash that are in suspense, clearing, deposit, or general fund accounts.

4. Cash and Monetary Assets

Cash and Monetary Assets, as reported in the financial statements, represent the total cash and cash equivalents under the control of the BOP as of September 30, 2014 and 2013, respectively.

As of September 30, 2014 and 2013	2014	2013
Cash		
Imprest Funds	$ 454	$ 543

The BOP's cash account is minimal given that the BOP does not, for the most part, maintain cash in commercial bank accounts. The BOP's cash account consists of imprest funds totaling $454 and $543 thousand as of September 30, 2014 and 2013, respectively. All of the listed amounts are available to pay current liabilities and finance future authorized purchases.

5. Investments, Net

The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are available to the public but cannot be resold. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch, see Note 1.G. When securities are purchased, the investment is recorded at par value. Premiums and/or discounts are amortized through the end of the reporting period. As of September 30, 2014 and 2013, all Trust Fund security investments have matured. Therefore, the respective investment balances are zero.

6. Accounts Receivable, Net

Accounts Receivable represents the net amounts due to the BOP as of September 30, 2014 and 2013, respectively, as shown in the following table.

As of September 30, 2014 and 2013	2014	2013
Intragovernmental		
Accounts Receivable	$ 4,130	$ 4,348
With the Public		
Accounts Receivable	5,041	5,053
Total Accounts Receivable, Net	$ 9,171	$ 9,401

7. Inventory and Related Property, Net

The Trust Fund Commissary inventory purchased for resale as of September 30, 2014 and 2013 is presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Inventory		
Inventory Purchased for Resale	$ 18,410	$ 18,775

8. General Property, Plant and Equipment, Net

PP&E, as reported in the financial statements, are recorded at the acquisition cost net of accumulated depreciation at September 30, 2014 and 2013, respectively. See Note 1.J for method of depreciation, capitalization thresholds, and useful lives.

As of September 30, 2014	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 171,046	$ -	$ 171,046	N/A
Construction in Progress	51,752	-	51,752	N/A
Buildings, Improvements, and Renovations	9,599,625	(4,513,736)	5,085,889	2-30 yrs
Other Structures & Facilities	886,613	(537,264)	349,349	20 yrs
Vehicles	200,178	(131,452)	68,726	6-10 yrs
Equipment	340,858	(196,049)	144,809	10 yrs
Assets Under Capital Lease	89,625	(56,763)	32,862	5-30 yrs
Leasehold Improvements	91,442	(59,293)	32,149	2-20 yrs
Internal Use Software	30,017	(20,966)	9,051	5-7 yrs
Total	$ 11,461,156	$ (5,515,523)	$ 5,945,633	

As of September 30, 2013	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 171,046	$ -	$ 171,046	N/A
Construction in Progress	71,186	-	71,186	N/A
Buildings, Improvements, and Renovations	9,517,649	(4,175,933)	5,341,716	2-30 yrs
Other Structures & Facilities	866,400	(498,687)	367,713	20 yrs
Vehicles	195,457	(119,982)	75,475	6-10 yrs
Equipment	317,190	(182,233)	134,957	10 yrs
Assets Under Capital Lease	89,625	(53,775)	35,850	5-30 yrs
Leasehold Improvements	83,750	(54,625)	29,125	2-20 yrs
Internal Use Software	26,178	(18,141)	8,037	5-7 yrs
Internal Use Software in Development	4,740	-	4,740	N/A
Total	$ 11,343,221	$ (5,103,376)	$ 6,239,845	

Leasehold improvements reflect capital improvements made to facilities occupied but not owned by the BOP. Capital improvements made to buildings and other structures owned by the BOP are reflected as buildings and other structures and facilities. The BOP had capitalized property purchases from federal sources and from the public. These purchases totaled $5,121 and $11,222 thousand from federal sources, and $135,490 and $338,757 thousand from the public, for the fiscal years ended September 30, 2014 and 2013, respectively.

9. Other Assets

Intragovernmental assets consist of advances to the Department of Justice for computer equipment and to the Department of Transportation for transit subsidy benefits. Other assets with the public consists of farm livestock. The amounts as of September 30, 2014 and 2013 are presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Intragovernmental		
Advances and Prepayments	$ 11,089	$ -
Other Assets With the Public		
Farm Livestock	$ 4,412	$ 4,189

10. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. These liabilities as of September 30, 2014 and 2013, respectively, are presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Intragovernmental		
Accrued FECA Liabilities	$ 161,931	$ 157,948
Other Unfunded Employment Related Liabilities	776	752
Other	3,612	4,479
Total Intragovernmental	166,319	163,179
With the Public		
Actuarial FECA Liabilities	997,135	956,439
Accrued Annual and Compensatory Leave Liabilities	175,406	171,578
Environmental and Disposal Liabilities (Note 11)	67,392	66,225
Contingent Liabilities (Note 14)	10,861	4,685
Capital Lease Liabilties (Note 12)	161	8,716
Other	128,773	113,384
Total With the Public	1,379,728	1,321,027
Total Liabilities not Covered by Budgetary Resources	1,546,047	1,484,206
Total Liabilities Covered by Budgetary Resources	555,913	537,078
Total Liabilities	$ 2,101,960	$ 2,021,284

11. Environmental and Disposal Liabilities

The BOP operates 120 facilities in over 30 States and Territories and is subject to rigorous Federal, state, and local environmental regulations applicable to the facility locations. Per SFFAS No. 5, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, Federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable. The BOP exercises due care in determining the presence of contamination through regularly scheduled testing required by Facilities Management Policy. If, as a result of the testing, environmental contamination is detected on BOP owned property or on non-BOP property but BOP is determined to be the agent of the contamination, the BOP will clean up the contamination as soon as possible. The liability is recognized immediately.

As environmental-related clean-up costs are accomplished, the prior established liability will be reduced. Additionally, estimates will be revised periodically to account for material changes due to inflation, deflation, technology, or applicable laws and regulations. Any material changes in the estimated total clean-up costs will be expensed when re-estimates occur and the liability balance adjusted.

Firing Ranges

The BOP operates firing ranges on 67 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. As of September 30, 2013, BOP management determined their estimated clean-up liability to be $27,820 thousand. In FY 2014, BOP management adjusted the estimated clean-up liability by the current U.S. inflation rate as determined by the Treasury and as such determined that an estimated firing range clean-up liability of $28,405 thousand, based on an inflation rate of 2.1 percent, should be recorded. In FY 2014, the liability cost for firing ranges increased $585 thousand.

Asbestos

Section 112 of the Clean Air Act requires the U.S. Environmental Protection Agency (EPA) to develop and enforce regulations to protect the general public from exposure to airborne contaminants that are known to be hazardous to human health. On March 31, 1971, the EPA identified asbestos as a hazardous pollutant, and on April 6, 1973, EPA first promulgated the Asbestos National Emissions Standards for Hazardous Air Pollutants (NESHAP).

11. Environmental and Disposal Liabilities (continued)

The BOP conducted a review of 46 institutions that were built prior to 1980; the review provided an estimate of the extent of friable and non-friable Asbestos Containing Materials (ACM) remaining in each of the institutions as of October 30, 2009. As of September 30, 2013, BOP management determined their estimated clean-up liability to be $38,405 thousand. In FY 2014, BOP Management decreased the clean-up liability in the amount of $246 thousand for the abatement of asbestos at 11 locations. In addition, BOP Management increased the clean-up liability in the amount of $26 thousand due to additional asbestos found at two locations and in the amount of $802 thousand by the current U.S. inflation rate of 2.1 percent as determined by the Treasury. In FY 2014, BOP management recorded a clean-up liability in the amount of $38,987 thousand, a $582 thousand increase in liability cost for asbestos from the previous year.

These liabilities as of September 30, 2014 and 2013, respectively, are presented in the following table.

As of September 30, 2014 and 2013

	2014	2013
Firing Ranges		
Beginning Balance, Brought Forward	$ 27,820	$ 26,935
Inflation Adjustment	585	885
Firing Range Liability	28,405	27,820
Asbestos		
Beginning Balance, Brought Forward	$ 38,405	$ 37,287
New Asbestos	26	538
Abatements	(246)	(78)
Inflation Adjustment	802	658
Asbestos Liability	$ 38,987	$ 38,405
Total Environmental and Disposal Liabilities	$ 67,392	$ 66,225

12. Leases

Capital Leases

The tables that follow represent a 25-year capital lease for a Federal Transfer Center in Oklahoma City. The lease agreement, which will expire in fiscal year 2019, calls for semi-annual payments of $4.5 million for 20 years; the remaining five years (lease years 21 through 25) will be land rental payments only. The BOP paid a total of $9.1 million in payments during the fiscal year ended September 30, 2014.

As of September 30, 2014 and 2013

Capital Leases	2014	2013
Summary of Assets Under Capital Lease		
Land and Buildings	$ 89,625	$ 89,625
Accumulated Amortization	(56,763)	(53,775)
Total Assets Under Capital Lease (Note 8)	$ 32,862	$ 35,850

Future Capital Lease Payments

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings
2015	$ 33
2016	32
2017	32
2018	32
2019	32
Total Future Capital Lease Payments	$ 161
FY 2014 Net Capital Lease Liabilities	$ 161
FY 2013 Net Capital Lease Liabilities	$ 8,716

	2014	2013
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 161	$ 8,716

13. Other Liabilities

Other liabilities as of September 30, 2014 and 2013, totaled $238 million and $208 million, respectively. The majority of Intragovernmental Other Liabilities are composed of tenant allowances for operating leases, monies received from prisoner funds, and certain receipts of cash that are in suspense, clearing, deposit, or general fund accounts that are owed to the Treasury. Other liabilities with the public are composed of future funded energy savings performance contracts and utilities. All other liabilities are current and are presented in the following table.

As of September 30, 2014 and 2013	2014	2013
Intragovernmental		
Other Accrued Liabilities	$ 1	$ 1
Employer Contributions and Payroll Taxes Payable	30,071	24,952
Other Post-Employment Benefits Due and Payable	453	411
Other Unfunded Employment Related Liabilities	776	752
Advances from Others	-	249
Other Liabilities	4,015	4,876
Total Intragovernmental	35,316	31,241
With the Public		
Other Accrued Liabilities	7,628	6,018
Advances from Others	9,717	8,349
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	64,390	54,888
Other Liabilities	121,145	107,366
Total With the Public	202,880	176,621
Total Other Liabilities	$ 238,196	$ 207,862

14. Contingencies and Commitments

Contingencies include various administrative proceedings, legal actions, and claims related to contract disputes and employee and inmate claims; see Note 1.M for more details. For legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable, information is disclosed below. The amounts as of September 30, 2014 and 2013 are presented in the following table.

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2014			
Probable	$ 10,861	$ 10,861	$ 40,406
Reasonably Possible		50,836	99,341
As of September 30, 2013			
Probable	$ 4,685	$ 4,685	$ 18,625
Reasonably Possible		38,957	61,436

15. Funds from Dedicated Collections

The Trust Fund is a self-sustaining trust revolving fund account that is funded through the sale of goods and services to inmates. The Trust Fund receives no appropriated funds, and the majority of its funding is through revenues generated by the sale of merchandise, telephone services, and electronic messaging to inmates. Regular items sold through institution commissaries are marked-up 30 percent from their per unit cost. The Trust Fund Commissary inventories are comprised of merchandise on-hand at reporting sites located in the United States and Puerto Rico. Inventory sales are restricted to inmates and consist primarily of foods and beverages, hobby craft items, stamps, clothing, health and hygiene commodities, and other sundry items. Commissary items are stated at latest acquisition cost, which is adjusted using the CPI for the year to approximate the value of the inventory under the FIFO accounting methodology.

Cash receipts collected from the public for funds from dedicated collections are deposited in the Treasury. The Trust Fund invests in non-marketable market-based Treasury securities issued by the Bureau of the Fiscal Service. These securities are available to the public but cannot be resold. These securities are purchased and redeemed at par value (the value at maturity) exclusively through the Treasury's Finance and Funding Branch. When securities are purchased, the investment is recorded at par value. Discounts are amortized into interest income over the term of the investment. The Trust Fund's intent is to hold investments to maturity, unless they are needed to sustain the operations of the Trust Fund. Interest received on securities is captured in the Trust Fund and is used to defray its general operating expenses. The following table shows funds from dedicated collections as of September 30, 2014 and 2013.

15. Funds from Dedicated Collections (continued)

As of September 30, 2014 and 2013

	2014 Funds from Dedicated Collections	2013 Funds from Dedicated Collections
Balance Sheet		
Assets		
Fund Balance with U.S. Treasury	$ 90,639	$ 88,136
Other Assets	26,105	27,399
Total Assets	$ 116,744	$ 115,535
Liabilities		
Accounts Payable	$ 9,805	$ 10,592
Other Liabilities	11,559	11,250
Total Liabilities	$ 21,364	$ 21,842
Net Position		
Cumulative Results of Operations	$ 95,380	$ 93,693
Total Net Position	$ 95,380	$ 93,693
Total Liabilities and Net Position	$ 116,744	$ 115,535
Statement of Net Cost		
Gross Cost of Operations	$ 371,677	$ 366,668
Less: Earned Revenue	368,343	370,123
Net Cost of Operations	$ 3,334	$ (3,455)
Statement of Changes in Net Position		
Net Position Beginning of Period	$ 93,693	$ 86,212
Other Financing Sources	5,021	4,026
Total Financing Sources	5,021	4,026
Net Cost of Operations	(3,334)	3,455
Net Change	1,687	7,481
Net Position End of Period	$ 95,380	$ 93,693

16. Net Cost of Operations by Suborganization

The following tables show the net cost of operations for each of the BOP's goals by suborganization for the fiscal years ended September 30, 2014 and 2013.

For the Fiscal Year Ended September 30, 2014	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 8,717	$ 8,717
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	8,717	8,717
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	371,677	7,471,791	7,843,468
Less: Earned Revenue	368,343	50,166	418,509
Net Cost of Operations	3,334	7,421,625	7,424,959
Net Cost of Operations	$ 3,334	$ 7,430,342	$ 7,433,676

For the Fiscal Year Ended September 30, 2013	Suborganizations		
	Trust Fund	BOP	Consolidated
Goal 2: Prevent Crime, Protect the Rights of the American People, and Enforce Federal Law			
Gross Cost	$ -	$ 7,907	$ 7,907
Less: Earned Revenue	-	-	-
Net Cost of Operations	-	7,907	7,907
Goal 3: Ensure and Support the Fair, Impartial, Efficient, and Transparent Administration of Justice at the Federal, State, Local, Tribal, and International Levels			
Gross Cost	366,668	7,249,234	7,615,902
Less: Earned Revenue	370,123	49,470	419,593
Net Cost of Operations	(3,455)	7,199,764	7,196,309
Net Cost of Operations	$ (3,455)	$ 7,207,671	$ 7,204,216

17. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e. non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the BOP from a providing Federal entity that is not part of the DOJ. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental financing sources recognized by the BOP are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), the Federal Pension plans that are paid by other Federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the BOP. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5 requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. The cost factors are as follows:

	Category	Cost Factor (%)
Civil Service Retirement System (CSRS)	Regular Employees	32.8%
	Regular Employees Offset	24.4%
	Law Enforcement Officers	56.4%
	Law Enforcement Officers Offset	48.8%

Federal Employees Retirement System (FERS)	Regular Employees	15.1%
	Regular Employees – Revised Annuity Employees (RAE)	15.7%
	Regular Employees – Further Revised Annuity Employees (FRAE)	15.7%
	Law Enforcement Officers	33.3%
	Law Enforcement Officers – RAE	33.9%
	Law Enforcement Officers – FRAE	33.9%

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, the cost of other retirement benefits, which include health and life insurance that are paid by other Federal entities, must also be recorded.

17. Imputed Financing from Costs Absorbed by Others (continued)

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, and FASAB Interpretation No. 6, *Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS No. 4*, are the unreimbursed portion of the full costs of goods and services received by the BOP from a providing entity that is part of the DOJ. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. In accordance with FASAB Interpretation No. 6, the BOP management reviews Imputed Intra-Departmental Financing Sources quarterly to determine materiality. As of September 30, 2014 these costs are deemed immaterial and are not reported.

For the Fiscal Years Ended September 30, 2014 and 2013	2014	2013
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 8,421	$ 7,521
Health Insurance	160,871	156,882
Life Insurance	478	484
Pension	107,180	60,613
Total Imputed Inter-Departmental	$ 276,950	$ 225,500
Total Imputed Financing	$ 276,950	$ 225,500

18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The apportionment categories are determined in accordance with the guidance provided in Part 4 "Instructions on Budget Execution" of OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for Hurricane Sandy.

18. Information Related to the Statement of Budgetary Resources (continued)

		Direct Obligations		Reimbursable Obligations		Total Obligations Incurred
For the Fiscal Year Ended September 30, 2014						
Obligations Apportioned Under						
Category A	$	7,207,728	$	50,390	$	7,258,118
Category B		2,639		-		2,639
Total	$	7,210,367	$	50,390	$	7,260,757
For the Fiscal Year Ended September 30, 2013						
Obligations Apportioned Under						
Category A	$	6,970,021	$	49,470	$	7,019,491
Category B		639		-		639
Total	$	6,970,660	$	49,470	$	7,020,130

The FY 2013 Direct Obligations Apportioned under Category A and Category B have been corrected to present accurate balances as of September 30, 2013.

Status of Undelivered Orders:

Undelivered Orders (UDO) represent the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

As of September 30, 2014 and 2013		2014		2013
UDO Obligations Unpaid	$	246,678	$	240,296
UDO Obligations Prepaid/Advanced		7,307		(2,757)
Total UDO	$	253,985	$	237,539

Permanent Indefinite Appropriations:

A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount.

18. Information Related to the Statement of Budgetary Resources (continued)

Congress established the Trust Fund in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated Federal funds. The Trust Fund is a self-sustaining trust revolving fund account that is funded through sales of goods and services, rather than annual or no-year appropriations.

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation based on annual legislative requirements and other enabling authorities, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions had been placed on those funds by law. Amounts in expired fund symbols are not available for new obligations, but may be used to adjust previously established obligations.

Statement of Budgetary Resources vs. the Budget of the United States Government:

The reconciliation between the Statement of Budgetary Resources and the Budget of the United States Government for fiscal year 2013 is shown in the following table. The reconciliation as of September 30, 2014 is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2016, which presents the execution of the FY 2014 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2015.

18. Information Related to the Statement of Budgetary Resources (continued)

For the Fiscal Year Ended September 30, 2013
(Dollars in millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 7,294	$ 7,020	$ 5	$ 6,737
Funds not Reported in the Budget				
Expired Funds	(112)	(6)	-	-
Reconciling Item 15F3875(YH)	-	-	1	(1)
Reconciling Item 153220(ZX)	-	-	(3)	3
Reconciling Item 153200(ZW)	-	-	(3)	3
Other (Rounding)	(3)	-	-	-
Budget of the United States Government	**$ 7,179**	**$ 7,014**	**$ -**	**$ 6,742**

19. Net Custodial Revenue Activity

For the fiscal years ended September 30, 2014 and 2013, the BOP collected $44 and $46 thousand respectively, in collections of fines and penalties, confiscated funds, found money on institution grounds, inmate's funds whose whereabouts are unknown and excess meal ticket collections. These collections were incidental to the BOP's mission. Since the BOP does not have statutory authority to use these funds, the BOP remits these funds to the Treasury's General Fund. As of September 30, 2014 and 2013, the BOP did not have any custodial liabilities.

20. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2014 and 2013	2014	2013
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 7,260,757	$ 7,020,130
Less: Spending Authority from Offsetting Collections and Recoveries	444,158	430,770
Obligations Net of Offsetting Collections and Recoveries	6,816,599	6,589,360
Less: Offsetting Receipts	7,956	4,994
Net Obligations	6,808,643	6,584,366
Other Resources		
Donations and Forfeitures of Property	-	3
Transfers-In/Out Without Reimbursement	630	132
Imputed Financing from Costs Absorbed by Others (Note 17)	276,950	225,500
Net Other Resources Used to Finance Activities	277,580	225,635
Total Resources Used to Finance Activities	**7,086,223**	**6,810,001**
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not Yet Provided	(16,699)	233,737
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(8,555)	(8,081)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	7,956	4,994
Resources That Finance the Acquisition of Assets	(140,799)	(348,972)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	-	(8,787)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(158,097)	(127,109)
Total Resources Used to Finance Net Cost of Operations	**$ 6,928,126**	**$ 6,682,892**
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 21)	$ 70,396	$ 123,942
Depreciation and Amortization	432,666	393,464
Revaluation of Assets or Liabilities	2,488	3,918
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	**505,550**	**521,324**
Net Cost of Operations	**$ 7,433,676**	**$ 7,204,216**

21. Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is no certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $1,546 million and $1,484 million on September 30, 2014 and 2013, respectively, are discussed in Note 10, Liabilities not Covered by Budgetary Resources. Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are presented in the following table.

The BOP has authority to record budgetary resources for receivables due from the public, which mainly consists of state prisoner billings, before the funds are actually collected. For this reason, the change in Exchange Revenue receivables from the public is not presented in the following table.

For the Fiscal Years Ended September 30, 2014 and 2013	2014	2013
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Accrued Annual and Compensatory Leave Liabilities	$ -	$ (161)
Decrease in Unfunded Capital Lease Liabilities	(8,555)	(7,911)
Decrease in Other Unfunded Employment Related Liabilities	-	(9)
Total Other	(8,555)	(7,920)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (8,555)	$ (8,081)
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 3,828	$ -
Increase in Environmental and Disposal Liabilities	1,167	2,003
Other		
Increase in Actuarial FECA Liabilities	40,696	103,077
Increase in Accrued FECA Liabilities	3,983	5,838
Increase in Contingent Liabilities	6,176	455
Increase in Other Unfunded Employment Related Liabilities	24	-
Increase in Other Liabilities	14,522	12,569
Total Other	65,401	121,939
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 70,396	$ 123,942

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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The BOP's deferred maintenance and repairs is immaterial. The BOP maintains maintenance and repair schedules to monitor the condition of its PP&E. Due to health and safety concerns for staff and inmates, the BOP does not defer necessary maintenance and repairs.

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2014

Dollars in Thousands				2014
	S&E	B&F	TF	Total
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 139,582	$ 66,426	$ 67,666	$ 273,674
Recoveries of Prior Year Unpaid Obligations	25,649	-	-	25,649
Other Changes in Unobligated Balance	(15,832)	-	-	(15,832)
Unobligated Balance from Prior Year Budget Authority, Net	149,399	66,426	67,666	283,491
Appropriations (discretionary and mandatory)	6,769,000	90,000	-	6,859,000
Spending Authority from Offsetting Collections (discretionary and mandatory)	50,000	166	368,343	418,509
Total Budgetary Resources	**$ 6,968,399**	**$ 156,592**	**$ 436,009**	**$ 7,561,000**
Status of Budgetary Resources:				
Obligations Incurred	$ 6,801,153	$ 91,594	$ 368,010	$ 7,260,757
Unobligated Balance, End of Year:				
Apportioned	37,540	64,998	-	102,538
Exempt from Apportionment	-	-	67,999	67,999
Unapportioned	129,706	-	-	129,706
Total Unobligated Balance - End of Year	167,246	64,998	67,999	300,243
Total Status of Budgetary Resources:	**$ 6,968,399**	**$ 156,592**	**$ 436,009**	**$ 7,561,000**
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid obligations, Brought Forward, October 1	$ 644,825	$ 45,254	$ 21,218	$ 711,297
Obligations Incurred	6,801,153	91,594	368,010	7,260,757
Outlays, Gross	(6,767,384)	(87,093)	(366,000)	(7,220,477)
Recoveries of Prior Year Unpaid Obligations	(25,649)	-	-	(25,649)
Unpaid Obligations, End of Year	652,945	49,755	23,228	725,928
Uncollected Payments:				
Uncollected Payments from Federal Sources, Brought Forward, October 1	(3,979)	(782)	(747)	(5,508)
Change in Uncollected Customer Payments from Federal Sources	(426)	765	162	501
Uncollected Customer Payments from Federal Sources, End of Year	(4,405)	(17)	(585)	(5,007)
Memorandum (non-add) Entries:				
Obligated balance, Start of Year	$ 640,846	$ 44,472	$ 20,471	$ 705,789
Obligated balance, End of Year	$ 648,540	$ 49,738	$ 22,643	$ 720,921
Budgetary Authority and Outlays, Net:				
Budgetary Authority, Gross (discretionary and mandatory)	6,819,000	90,166	368,343	7,277,509
Less: Actual Offsetting Collections (discretionary and mandatory)	49,574	931	368,505	419,010
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	(426)	765	162	501
Budget Authority, Net (discretionary and mandatory)	**$ 6,769,000**	**$ 90,000**	**$ -**	**$ 6,859,000**
Outlays, Gross (discretionary and mandatory)	$ 6,767,384	$ 87,093	$ 366,000	$ 7,220,477
Less: Actual Offsetting Collections (discretionary and mandatory)	49,574	931	368,505	419,010
Outlays, Net (discretionary and mandatory)	6,717,810	86,162	(2,505)	6,801,467
Less: Distributed Offsetting Receipts	7,956	-	-	7,956
Agency Outlays, Net (discretionary and mandatory)	**$ 6,709,854**	**$ 86,162**	**$ (2,505)**	**$ 6,793,511**

U.S. Department of Justice
Bureau of Prisons
Required Supplementary Information
Combining Statement of Budgetary Resources
Broken Down by Major Budget Account
For the Fiscal Year Ended September 30, 2013

Dollars in Thousands								2013
		S&E		B&F		TF		Total
Budgetary Resources:								
Unobligated Balance, Brought Forward, October 1	$	212,757	$	123,386	$	59,772	$	395,915
Recoveries of Prior Year Unpaid Obligations		14,780		-		-		14,780
Other Changes in Unobligated Balance		(60,086)		-		-		(60,086)
Unobligated Balance from Prior Year Budget Authority, Net		167,451		123,386		59,772		350,609
Appropriations (discretionary and mandatory)		6,496,548		30,657		-		6,527,205
Spending Authority from Offsetting Collections (discretionary and mandatory)		45,008		859		370,123		415,990
Total Budgetary Resources	**$**	**6,709,007**	**$**	**154,902**	**$**	**429,895**	**$**	**7,293,804**
Status of Budgetary Resources:								
Obligations Incurred	$	6,569,425	$	88,476	$	362,229	$	7,020,130
Unobligated Balance, End of Year:								
Apportioned		32,613		66,427		-		99,040
Exempt from Apportionment		-		-		67,666		67,666
Unapportioned		106,969		(1)		-		106,968
Total Unobligated Balance - End of Year		139,582		66,426		67,666		273,674
Total Status of Budgetary Resources:	**$**	**6,709,007**	**$**	**154,902**	**$**	**429,895**	**$**	**7,293,804**
Change in Obligated Balance:								
Unpaid Obligations:								
Unpaid obligations, Brought Forward, October 1	$	744,604	$	96,272	$	28,069	$	868,945
Obligations Incurred		6,569,425		88,476		362,229		7,020,130
Outlays, Gross		(6,654,424)		(139,494)		(369,080)		(7,162,998)
Recoveries of Prior Year Unpaid Obligations		(14,780)		-		-		(14,780)
Unpaid Obligations, End of Year		644,825		45,254		21,218		711,297
Uncollected Payments:								
Uncollected Payments from Federal Sources, Brought Forward, October 1		(9,146)		-		(892)		(10,038)
Change in Uncollected Customer Payments from Federal Sources		5,167		(782)		145		4,530
Uncollected Customer Payments from Federal Sources, End of Year		(3,979)		(782)		(747)		(5,508)
Memorandum (non-add) Entries:								
Obligated balance, Start of Year	$	735,458	$	96,272	$	27,177	$	858,907
Obligated balance, End of Year	$	640,846	$	44,472	$	20,471	$	705,789
Budgetary Authority and Outlays, Net:								
Budgetary Authority, Gross (discretionary and mandatory)		6,541,556		31,516		370,123		6,943,195
Less: Actual Offsetting Collections (discretionary and mandatory)		50,175		77		370,268		420,520
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)		5,167		(782)		145		4,530
Budget Authority, Net (discretionary and mandatory)	**$**	**6,496,548**	**$**	**30,657**	**$**	**-**	**$**	**6,527,205**
Outlays, Gross (discretionary and mandatory)	$	6,654,424	$	139,494	$	369,080	$	7,162,998
Less: Actual Offsetting Collections (discretionary and mandatory)		50,175		77		370,268		420,520
Outlays, Net (discretionary and mandatory)		6,604,249		139,417		(1,188)		6,742,478
Less: Distributed Offsetting Receipts		4,994		-		-		4,994
Agency Outlays, Net (discretionary and mandatory)	**$**	**6,599,255**	**$**	**139,417**	**$**	**(1,188)**	**$**	**6,737,484**

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U.S. DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

OTHER INFORMATION
(UNAUDITED)

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U.S. Department of Justice
Bureau of Prisons
Combined Schedules of Spending
For the Fiscal Years Ended September 30, 2014 and 2013

Dollars in Thousands			2014		2013
What Money is Available to Spend?					
Total Resources		$	7,561,000	$	7,293,804
Less: Amount Available but Not Agreed to be Spent			170,537		166,706
Less: Amount Not Available to be Spent			129,706		106,968
Total Amounts Agreed to be Spent		**$**	**7,260,757**	**$**	**7,020,130**
How was the Money Spent?					
Personnel Compensation and Benefits					
1100	Personnel Compensation	$	2,727,137	$	2,649,349
1200	Personnel Benefits		1,356,784		1,314,810
1300	Former Personnel		1,970		1,769
Other Program Related Expenses					
2100	Travel & Transportation of Persons		32,914		28,449
2200	Transportation of Things		15,484		14,445
2300	Rent, Communications, and Utilities		310,798		309,322
2400	Printing and Reproduction		506		893
2500	Other Contractual Services		1,850,519		1,758,933
2600	Supplies and Materials		865,503		866,966
3100	Equipment		86,126		58,987
3200	Land and Structures		1,340		(8,550)
4100	Grants, Subsidies, and Contributions		5,101		5,806
4200	Insurance Claims and Indemnities		6,574		14,700
4300	Interest and Dividends		1		4,251
Total Amounts Agreed to be Spent		**$**	**7,260,757**	**$**	**7,020,130**
Who did the Money go to?					
For Profit		$	2,897,264	$	2,551,047
Government			1,503,102		1,709,009
Employees			2,727,137		2,637,146
Grants			5,101		-
Other			128,153		122,928
Total Amounts Agreed to be Spent		**$**	**7,260,757**	**$**	**7,020,130**

TREASURY SYMBOL MATRIX

15141060	Salaries and Expense
15131060	Salaries and Expense
15121060	Salaries and Expense
15111060	Salaries and Expense
15101060	Salaries and Expense
15091060	Salaries and Expense
1513/141060	Salaries and Expense
1512/131060	Salaries and Expense
1511/121060	Salaries and Expense
1510/111060	Salaries and Expense
1509/101060	Salaries and Expense
1508/091060	Salaries and Expense
7515141060	Public Health Services
7515131060	Public Health Services
7515121060	Public Health Services
7515111060	Public Health Services
7515101060	Public Health Services
7515091060	Public Health Services
15X1003	Buildings and Facilities
15X8408	Revolving Trust Fund
15X1060	Salaries and Expense
15X6085	Deposit Fund (Prisoners)
151060	General Fund (Forfeiture Unclaimed)
151099	General Fund (Fines, Penalties, Forfeiture)
153200	General Fund (Miscellaneous Receipts)
153220	General Fund (Miscellaneous Receipts)
151210	Conscience Fund
151299	Gifts to U.S.
151435	Miscellaneous Interest Received
15F3880.10	Clearing Account (Budget)
15F3875.10	Clearing Account (Budget)
15X6275.10	Deposit Fund (State/Local Taxes)
20X1807	BOP Refund Erroneously Received
20X6133	BOP Payment Unclaimed Money
15_7001	Elimination Fund
15_7002	Elimination Fund

PRISONER CAPACITY REQUIREMENTS

The numbers in the chart reflect the additional requested, funded, and partially funded capacity (number of beds) required for each established facility.

Note that the estimated construction completion dates supplied below are projections, not fixed dates. Also, once construction is completed at an institution, that institution does not immediately begin accepting inmates, as there are necessary activation and preparatory procedures that must be enacted beforehand.

REQUESTED, FUNDED, OR PARTIALLY FUNDED CAPACITY REQUIREMENTS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
ADDITIONAL CAPACITY:											
FCI Mendota, CA (Medium/Camp)											-
FCI Berlin, NH (Medium/Camp)											-
FCI Aliceville, AL (Secure Female/Low Camp)											-
FCI Hazelton, WV (Medium/Camp)	680										680
USP Yazoo City, MS (High/Camp)	576	384									960
USP Thomson, IL (High/Camp)	100	1,900									2,000
USP Letcher County, KY (High/Camp)											-
FCI Leavenworth, KS (Medium/Camp)											-
USP Bennettsville, SC (High/Camp)											-
FCI Florida (Medium/Camp)											-
FCI South Central (Medium/Camp)											-
USP South Central (High/Camp)											-
USP El Reno, OK (High/Camp)											-
USP North Central/Pekin, IL (High/Camp)											-
USP Southeast (High/Camp)											-
FCI Northeast (Medium/Camp)											-
FCI South Central (Medium/Camp)											-
FCI Western (Medium/Camp)											-
FCI North Central (Medium/Camp)											-
USP Mid-Atlantic (High/Camp)											-
USP Western (High/Camp)											-
Total	1,356	2,284	-	-	-	-	-	-	-	-	3,640

This exhibit includes facilities requested, funded, or partially funded capacity requirements through September 30, 2014.

OPERATING LEASES AS OF SEPTEMBER 30, 2014 (IN THOUSANDS)

Operating Lease Identifier		Total Future Payments
230 N First Avenue	Phoenix, AZ	$ 305
230 N First Avenue	Phoenix, AZ	721
255 E. Temple Street	Los Angeles, CA	91
501 I Street	Sacramento, CA	73
2880 Sunrise Boulevard	Rancho Cordova, CA	548
7338 Shoreline Drive	Stockton, CA	4,536
324 Horton Plaze	San Diego, CA	2,439
9692 Via Excelencia, Suite 104	San Diego, CA	450
325 Horton Plaze	San Diego, CA	2,746
11900 East Cornell Avenue	Aurora, CO	15,463
320 First Street, NW	Washington, DC	24,119
500 1st Street, NW	Washington, DC	16,414
200 Constitution Ave\500 1st Street	Washington, DC	890
3800 Camp Creek Parkway	Atlanta, GA	3,594
450 S. Federal Street	Chicago, IL	318
5270 S. Cicero Avenue	Chicago, IL	2,458
55 E. Monroe Street	Chicago, IL	97
200 W. Adams Street	Chicago, IL	43
318 South Federal	Chicago, IL	594
230 S. Dearborn Street	Chicago, IL	337
4th & State Avenue	Kansas City, KS	10,125
302 Sentined Drive	Annapolis Junction, MD	3,875
300 S. 4 th Street	Minneapolis, MN	2,013
1222 Spruce	St. Louis, MO	211
1222 Spruce	St. Louis, MO	34
36 E. Seventh Street	Cincinnati, OH	219
200 Chestnut Street	Philadelphia, PA	7,638
1000 Liberty Avenue	Pittsburgh, PA	160
600 Arch Street	Philadelphia, PA	47
701 Market Street	Philadelphia, PA	202
145 W. Thompson Street	Philadelphia, PA	1,819
701 Broadway	Nashville, TN	155
701 San Jacinto Street	Houston, TX	52
701 San Jacinto Street	Houston, TX	272
15431 W. Vantage Parkway, Suites 200	Houston, TX	2,120
727 E. Durango Boulevard	San Antonio, TX	1,034
324 S. State Street	Salt Lake City, UT	154
Building A, 6810	Franconia, VA	132
796 N. Foxcroft Avenue	Martinsburg, WV	1,953
		$ 108,451

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