International Boundary and Water Commission
United States and Mexico
United States Section

Final
Agency Financial Report
Fiscal Year 2016

I.B.W.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION, ORGANIZATION AND STRUCTURE

MISSION

Through binational partnerships with Mexico, the United States Section of the International Boundary and Water Commission (U.S. Section) works to preserve the international boundary and improve the quality, conservation, and utilization of transboundary water resources in the border region.

The mission of the U.S. Section of the IBWC is:

> *"to provide binational solutions to issues that arise during the application of treaties between the United States and Mexico regarding boundary demarcation, national ownership of waters, sanitation, water quality, and flood control in the border region."*

PHILOSOPHY

I – Integrity and Accountability

B – Binational Diplomacy

W – Working towards Excellence

C – Commitment to Stakeholders and the Public

ORGANIZATION

The International Boundary and Water Commission (IBWC) is a binational commission, established to apply boundary and water treaties, and related international agreements between the U.S. and Mexico. The IBWC consists of a U.S. Section and a Mexican Section. Each Section is administered independently of the other, and is headed by an Engineer Commissioner, who is appointed by his respective President. The U.S. Section receives foreign policy guidance from the U.S. Department of State, while the Mexican Section is administratively linked to the Secretariat of Foreign Relations of Mexico.

The U.S. Section and Mexican Section maintain their respective headquarters in the adjoining cities of El Paso, Texas and Ciudad Juárez, Chihuahua. Each Section maintains its own legal counsel, engineering staff, and administrative staff, and has field offices situated along the border to operate and maintain joint works. The Commissioner, two principal engineers, a legal adviser, and a secretary, designated by each Government as members of its Section, are entitled to the privileges and immunities appertaining to diplomatic officers. The Commission meets on a regular basis, alternating the place of meetings between the two countries and the staffs of the two Sections are in frequent contact.

The U.S. Section consists of the U.S. Commissioner, Executive Offices, and three Departments: Operations, Engineering, and Administration. The Executive Offices are comprised of the Compliance, Human Capital, Legal Affairs, Foreign Affairs, Washington DC Liaison, and Public Affairs Offices. The Operations and Engineering Departments carry out and address the core mission requirements of the U.S. Section. Like the Commissioner, the heads of the Engineering and Operations Departments are engineers. The Administration Department performs the necessary support functions for the agency, whereas the Executive Offices provide executive, legal, and foreign policy guidance to the Commissioner. The Heads of the Executive Offices and the three Departments make up the U.S. Section's Executive Staff. The roles of the Executive Offices and Departments are summarized below.

Executive Offices

The Executive Offices consist of the following offices: Office of the Commissioner, Human Resources, Legal Affairs, and Foreign Affairs. In addition to the Commissioner and his executive assistant, the Office of the Commissioner administers the Internal Audit and Equal Employment Opportunity functions of the agency. This office oversees agency policies and practices to ensure compliance with all respective laws, regulations, agency directives, and other requirements.

The Human Resources Office is responsible for recruiting, maintaining and updating personnel information, analyzing positions, and administering employee benefit programs (retirement, insurance, etc.). This office develops and implements policies, programs, and standards for effective management, utilization, and development of human resources in accordance with applicable laws, executive orders, rules and regulations.

The Legal Affairs Office is the in-house counsel that provides all general legal services for the agency, including contracting, realty, employment, and environmental matters. It also provides legal guidance on bi-national issues, and interprets international law as part of the implementation of the Agency's Foreign Policy Program.

The Foreign Affairs Office is headed by the U.S. Section Secretary, who serves as an expert adviser on Treaty and Minute interpretations, and in cooperation with the Washington, DC Liaison Office at the Department of State, serves as a policy adviser on international relations. The U.S. Section Secretary accompanies the U.S. Commission to binational IBWC meetings and keep records of all discussions and understandings reached at those meetings. The Foreign Affairs Office prepares formal binational agreements, IBWC Minutes, and provides Spanish and English language translation interpretation services. In addition, the Foreign Affairs Office also responds to public concerns, and updates the public about U.S. Section projects and initiatives through citizens' forums, press releases, newsletters, and other publications. This office also provides language interpretation services, maintains all diplomatic communication records, and prepares the formal binational agreements called IBWC Minutes.

Washington DC Liaison Office is headed by a Special Assistant, who serves as a senior foreign policy adviser to the U.S. Commissioner. The Special Assistant is permanently assigned to the Office of Mexican Affairs at the Department of State in Washington, D.C., where he/she functions as the principal liaison between the U.S. Section and the Department of State. The Special Assistant facilitates cooperation and coordination between the agency and the Department of State and other Washington agencies and organizations on U.S. Section issues that have foreign policy implications. The Special Assistant represents the U.S. Section in policy and technical discussions held in Washington, D.C. and acts as the agency's point of contact for congressional offices and representatives of states, local governments, and non-governmental organizations represented or meeting in Washington, D.C.

The Administration Department

The Administration Department is headed by the Chief Administrative Officer. It provides administrative support to all agency functions through its four Divisions: Acquisitions, Budget, Finance and Accounting, and Information Management. The Administration Department will lead the way to implement the President's Management Agenda with the following action plans: (1) identifying potential improvements to eliminate superfluous or overlapping responsibilities in agency programs; (2) instituting an organizational structure that allows for a well-coordinated and efficient organization that emphasizes public needs while meeting requirements and empowering employees; (3) developing a performance based budget process that evaluates the effectiveness of all activities to establish successful mission-oriented programs, determine funding requirements and identify efficiencies to eliminate mismanagement, waste, or duplication of efforts The Department is committed to helping its customers achieve desired results instead of placing impediments to progress. All this will be accomplished by placing utmost importance to achieving agency priorities, and the professional and personal development of each staff member.

The Engineering Department

The Engineering Department is headed by the Principal Engineer of Engineering, who provides technical and policy advice to the U.S. Commissioner. The Engineering Department provides technical support in planning, engineering, environmental management, construction management, geographical information system, real property administration, and land surveying to meet agency requirements. The Engineering Department conducts and reviews environmental and cultural studies, water quality monitoring, hydraulic studies, geotechnical investigations, and develops design plans and specifications for construction and renovation of buildings, hydraulic

and flood control structures, hydroelectric power plant infrastructure, and wastewater treatment plant infrastructure.

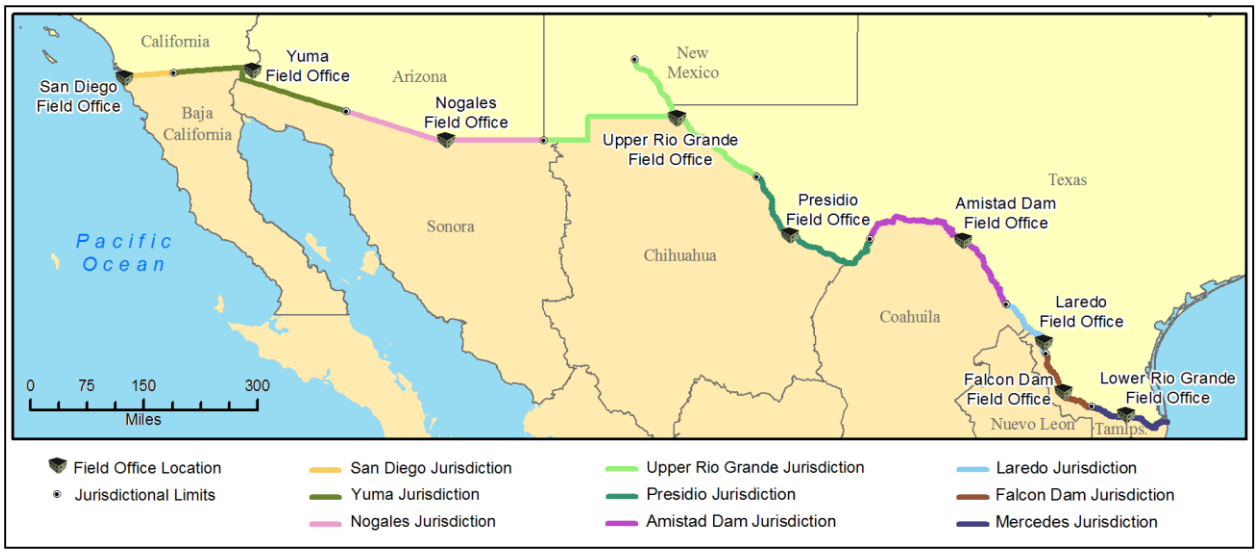
The Operations Department

The Operations Department is headed by the Principal Engineer of Operations. Like the Principal Engineer of Engineering, the Principal Engineer of Operations provides technical and policy advice to the U.S. Commissioner, and oversees all U.S. Section operations and maintenance activities to assure adherence with treaty requirements. The Operations Department consists of the following Divisions: Water Accounting, Safety and Security, and Operations and Maintenance. The Water Accounting Division coordinates and performs the water accounting functions to determine the national ownership of Rio Grande and Colorado River waters jointly with the Mexican Section. The Safety and Security Division administers the occupational safety and health, security, and emergency management functions for the agency. The Operations and Maintenance Division, through its field offices, operates and maintains roughly 86 hydrologic gaging stations, 500 miles of levees, 17,250 acres of floodplains, four diversion dams, two international storage dams and associated hydroelectric power plants, over 600 hydraulic structures, two International wastewater treatment plants, and one-half of all international boundary monuments and markers on the land boundary and at international ports of entry.

OFFICE LOCATIONS AND GENERAL RESPONSIBILITIES

In addition to its headquarters in El Paso, Texas, the U.S. Section has twelve field offices along the southern international boundary, and one diplomatic liaison office located in the Office of Mexican Affairs at the Department of State in Washington DC. Of the twelve field offices, nine are primary area operations offices and three are secondary satellite offices that are an extension of a primary area operations office. The field offices are strategically located along the U.S. and Mexico border region for operations and maintenance of both domestic and international works authorized under treaties.

Below is a map identifying the locations and jurisdictional limits of the nine primary area operations offices managed by the U.S. Section. Descriptions of the responsibilities and functions of these offices are also provided.



San Diego Field Office

Located in San Diego, California, the primary functions of this field office are wastewater treatment and flood control. The San Diego Office addresses boundary and water issues in San Diego County and the adjacent Pacific coast. This field office administers the operations of the South Bay International Wastewater Treatment Plant, which treats an average of 25 million gallons per day of Mexican sewage to advanced primary standards and discharges the effluent into the Pacific Ocean 3.5 miles off the San Diego coast. In addition, it maintains the Tijuana River flood control system (i.e. levees, floodplains, and channel).

Yuma Field Office

Situated in Yuma, Arizona, the jurisdiction of this field office extends from the San Diego and Imperial county line in California, near IBWC Monument No. 230, to the Lukeville, Arizona International Port of Entry, which includes the 24-mile international stretch of the Colorado River. The Yuma Field Office works closely with the U.S. Bureau of Reclamation (USBR) to ensure the delivery and quality of Colorado River waters to Mexico in accordance with the 1944 Treaty and IBWC Minute No. 242. The field office performs water accounting activities, including maintenance of water gaging facilities, and conducts water quality assessments of Colorado River waters. The Yuma Field Office also works jointly with Mexico and the USBR to properly operate and maintain the international segment of Colorado River flood control system, which includes Morelos Dam. Other responsibilities include water quality assessments of the New River, and maintenance of land boundary monuments within their jurisdiction.

Nogales Field Office

Located in Rio Rico, Arizona, this field office's primary function is wastewater treatment. The City of Nogales, Arizona and the U.S. Section are co-owners of the Nogales International Wastewater Treatment Plant (NIWTP), which is located in Rio Rico, AZ and treats sewage from the border communities of Nogales, Sonora, Mexico; Nogales, Arizona; and Rio Rico, Arizona. In addition to operating and maintaining the NIWTP, the Nogales Field Office maintains the land boundary monuments and addresses other transboundary water issues within their jurisdiction, which spans from the Lukeville, Arizona International Port of Entry to the Arizona and New Mexico state line.

Upper Rio Grande Field Office

The Upper Rio Grande Field Office consists of a base station with two satellite offices. The primary field office is situated along the Rio Grande at American Dam in El Paso, Texas. One satellite office is located in Las Cruces, New Mexico, approximately 40 miles north-northwest of American Dam, and the other is about 60 miles south-southeast in Fort Hancock, Texas. The Upper Rio Grande Field Office addresses all mission-related matters in southern New Mexico and western Texas. The jurisdiction of this field office runs along the western land boundary from the Arizona and New Mexico state line to the Rio Grande at El Paso, Texas, and continues downstream along the Rio Grande boundary for approximately 91 miles to the Presidio, Hudspeth and Jefferson Davis tri-county line in Texas. This field office also addresses all issues along the Rio Grande from El Paso, Texas upstream for about 106 miles to Percha Diversion Dam, approximately two miles south of Caballo Lake in Sierra County, New Mexico. The primary functions of the Upper Rio Grande Field Office are to ensure the distribution of Rio Grande waters between Mexico and the U.S. in accordance with the Convention of 1906, and to provide flood protection to U.S. residents against Rio Grande floods. This is accomplished through the regular operation and maintenance of American Dam and Canal, and an array of water gaging facilities and flood control works along this 197-mile stretch of the Rio Grande. This Upper Rio Grande Field Office occasionally provides assistance to other western region U.S. Section field offices to restore or repair structures or facilities.

Presidio Field Office

Situated in Presidio, Texas, the jurisdictional limits of this field office extends along the Rio Grande from the Presidio, Hudspeth and Jefferson Davis tri-county line to Heath Canyon immediately downstream of Big Bend National Park. The main purpose of the field office is to protect the town of Presidio, Texas by maintaining flood control works along a 15-mile stretch of the Rio Grande. Other responsibilities include preserving the international river boundary, collecting water quality samples, and performing water accounting activities, including operation and maintenance of water gaging facilities, along the Rio Grande within their jurisdiction.

Amistad Dam Field Office

Located in Del Rio, Texas, the primary function of this field office is to effectively operate and maintain the Amistad International Storage Dam and Hydroelectric Power Plant. These operations provide electric power, flood control, and water conservation benefits to both the U.S. and Mexico. The field office also operates and/or maintains water gaging facilities, the boundary demarcation buoys on the reservoir, and performs water quality sampling and accounting of Rio Grande waters. The Amistad Dam Field Office addresses all Rio Grande boundary and water issues from Heath Canyon, just downstream of Big Bend National Park, to the Maverick and Webb county line below Eagle Pass, Texas.

Laredo Field Office

The Laredo Field Office is situated in Laredo, Texas. The jurisdictional limits of this field office extends along the Rio Grande, entirely within Webb County, Texas. The main purpose of the field office is to provide oversight of the operations and maintenance of the Nuevo Laredo International Wastewater Treatment Plant in Mexico, and to coordinate binational issues regarding the Rio Grande with U.S. and Mexican stakeholders.

Falcon Dam Field Office

The core role of this field office is to effectively operate and maintain the Falcon International Storage Dam and Hydroelectric Power Plant for welfare of the U.S. and Mexico. In conjunction with irrigation, municipal, and flood releases, the field office operates of the hydroelectric power plant and generates electricity. The field office also operates and/or maintains water gaging facilities, and performs water quality sampling and accounting of Rio Grande waters. The Falcon Dam Field Office is situated in Falcon Heights, Texas. Its jurisdiction extends from the Web and Zapata county line to the Starr and Hidalgo county line.

Lower Rio Grande Field Office

The Lower Rio Grande Field Office consists of a base station and a satellite office. The primary field office is located nearly 40 miles upstream of Brownsville, Texas in Mercedes, Texas. The satellite office is situated south of Mission, Texas at Anzalduas Dam. The primary functions of the Lower Rio Grande Field Office are to ensure the allocation of U.S. waters in accordance with 1944 Treaty and to protect south Texas residents from Rio Grande floods. This is accomplished through the regular operation and maintenance of Anzalduas and Retamal International Dams, river and floodway gaging facilities, irrigation structures, and flood control works along the Rio Grande and its interior floodways from Penitas to Brownsville, Texas. The field office also performs water accounting and water quality sampling activities on the Rio Grande, oversight of Morillo Drain operations in Mexico, and addresses all binational issues concerning the Rio Grande boundary and its waters in Hidalgo, Cameron and Willacy Counties in Texas.

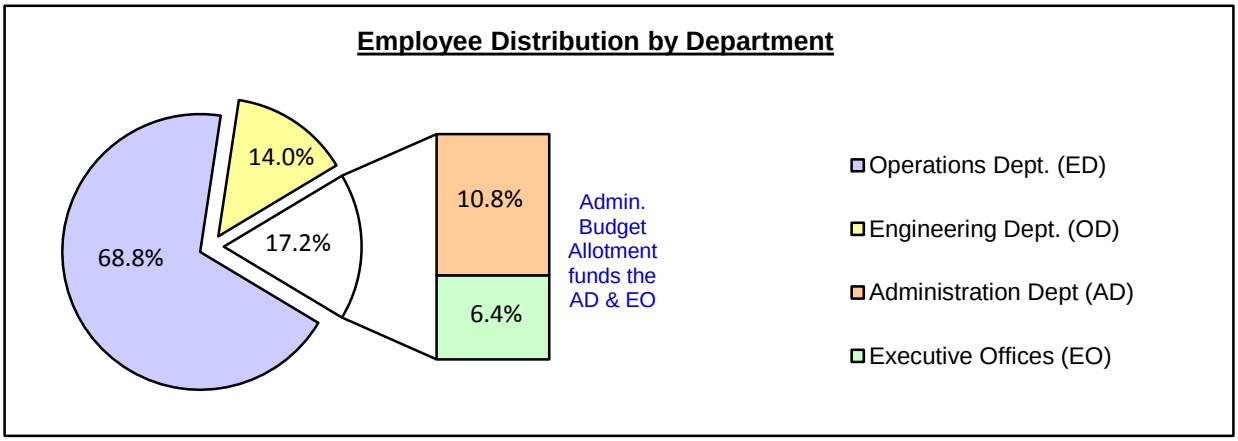
ORGANIZATIONAL STRUCTURE

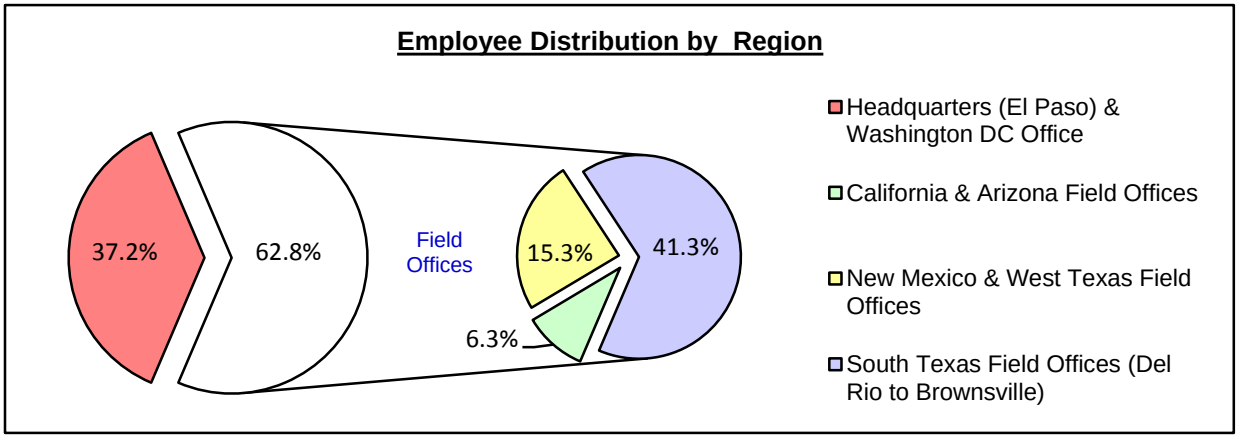
* Notes:

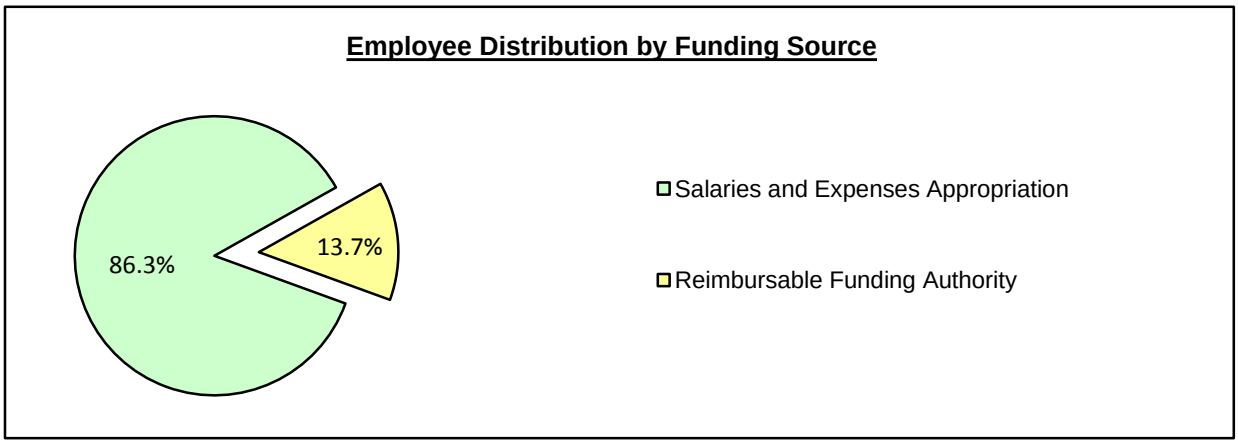
- The Executive Offices and Administration Department are funded under the Administration Budget Allotment. The Engineering and Operations Departments have their own unique budget allotment.
- The Office of the Commissioner includes the Internal Audit and Equal Employment Opportunity Functions.
- The Foreign Affairs Office includes the Public Affairs function.
- The Upper Rio Grande Field Office is located in El Paso, TX, and manages satellite offices in Las Cruces, NM and Fort Hancock, TX.
- The Lower Rio Grande Field Office is situated in Mercedes, TX, and also heads the satellite office located at Anzalduas Dam in Hidalgo County, TX.
- The Amistad Dam Field Office is located in Val Verde County, TX.
- The Falcon Dam Field Office is located in Starr County, TX, near the Zapata-Starr County line.

EMPLOYEE DISTRIBUTION

The U.S. Section employed a workforce that was equivalent to 247 full-time employees in FY 2016. Shown below is the average annual employee distribution by department, location, and funding source. These figures account for hire lag and consist of all U.S. Section personnel, including part-time employees.

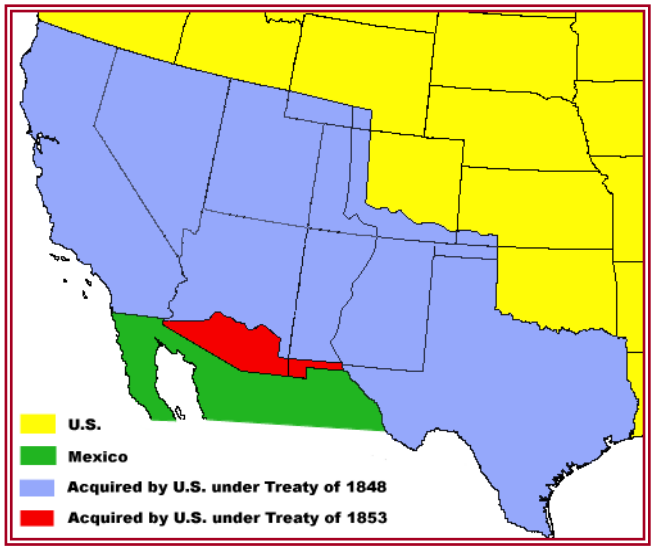






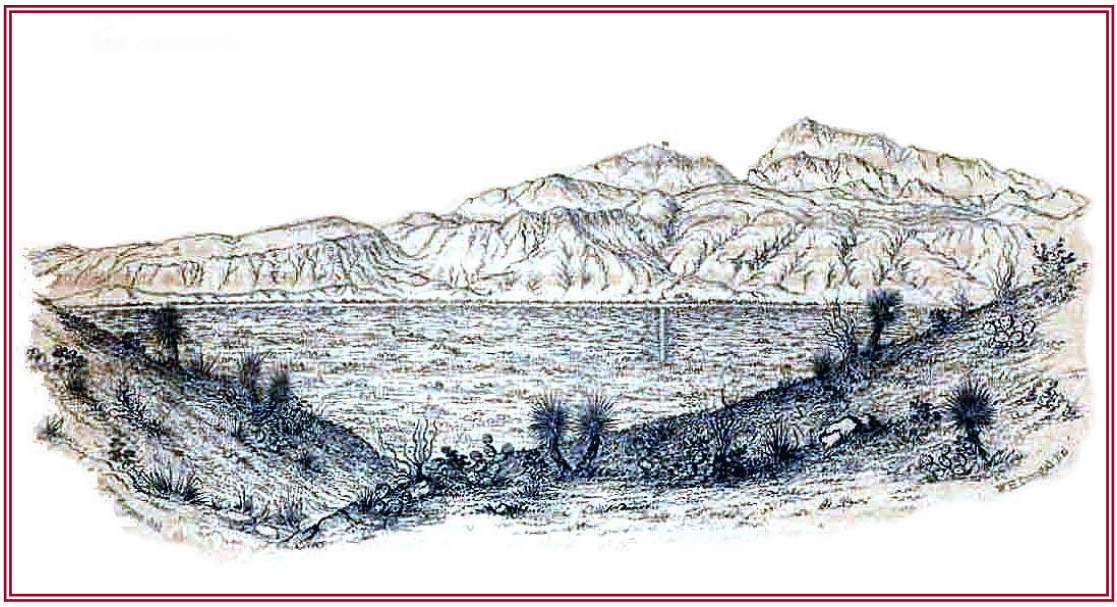
HISTORY

The IBWC traces its roots to the Guadalupe Hidalgo Treaty of 1848 and the Gadsden Treaty of 1853. The *Guadalupe Hidalgo Treaty of February 2, 1848* ended the Mexican-American War and provided for a new international boundary. The resulting boundary extended east in a straight line from the California coast, south of the port of San Diego, to and along the Gila River, and east along the Rio Grande to the Gulf of Mexico. However, disputes over the boundary lingered and a proposal for a southern railroad south of the Gila River added to the turmoil. Therefore, in 1853 the U.S., represented by James Gadsden, negotiated and acquired the necessary land from Mexico for $10 million U.S. dollars. Known as the Gadsden Purchase, the *Treaty of December 30, 1853* redefined the U.S. – Mexico boundary further south along New Mexico and Arizona to current location.



Historic U.S. – Mexico Boundaries

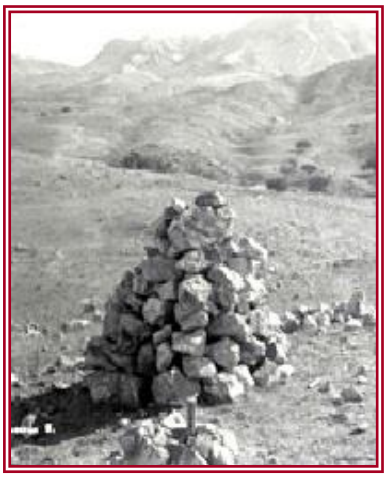
This map illustrates the land that the U.S. acquired from Mexico as a result of the Guadalupe Hidalgo Treaty of 1848 (blue), and the Gadsden Treaty of 1853 (red).



Sketch of Territory acquired by the Treaty of 1853

View of the initial point on the Rio Grande, looking west along the boundary line on parallel 31º 47' N latitude. The flag on the mountain and the boundary monument, situated on the west bank of the Rio Grande, indicate the boundary line west of the Rio Grande.

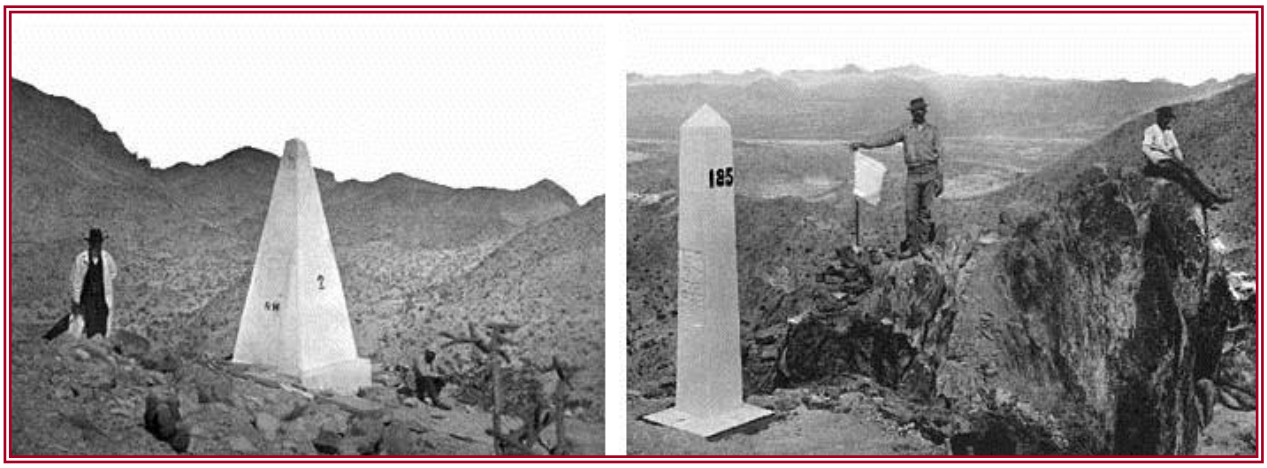
As the settlements grew along the Rio Grande and Colorado River in the late 1800's, settlers began developing adjoining lands for agriculture. In the late Nineteenth Century, questions arose as to the location of the boundary and the jurisdiction of lands when the boundary rivers changed their course and transferred land from one side of the river to the other. Therefore, the U.S. and Mexico adopted certain rules designated to deal with these river boundary issues during the Convention of November 12, 1884. To apply the rules of this 1884 Convention, the two countries formed a temporary joint commission. An interim International Boundary Commission (IBC), consisting of a U.S. Section and a Mexican Section, was created by the Convention of March 1, 1889.



Old Monument No. 16

Stone Monument built in the early 1850's to mark the U.S. – Mexico border.

In addition to the river boundaries, the land boundary between the Pacific Ocean and the Rio Grande was another issue that needed to be addressed. The long distances between the boundary monuments coupled with the occasional destruction of a monument made it difficult to determine the physical location of the international border. To resolve this problem, U.S. Commissioner John W. Barlow and Mexican Commissioner Jacobo Blanco embarked on a quest to resurvey and demarcate the western boundary. The survey started at the El Paso, Texas – Ciudad Juárez, Chihuahua border in 1891 and concluded at the San Diego, California – Tijuana, Baja California border in 1894. During this survey, IBC crews reconstructed old monuments and erected new ones; thus increasing the number of monuments from 52 to 258.



Western Land Boundary Monuments

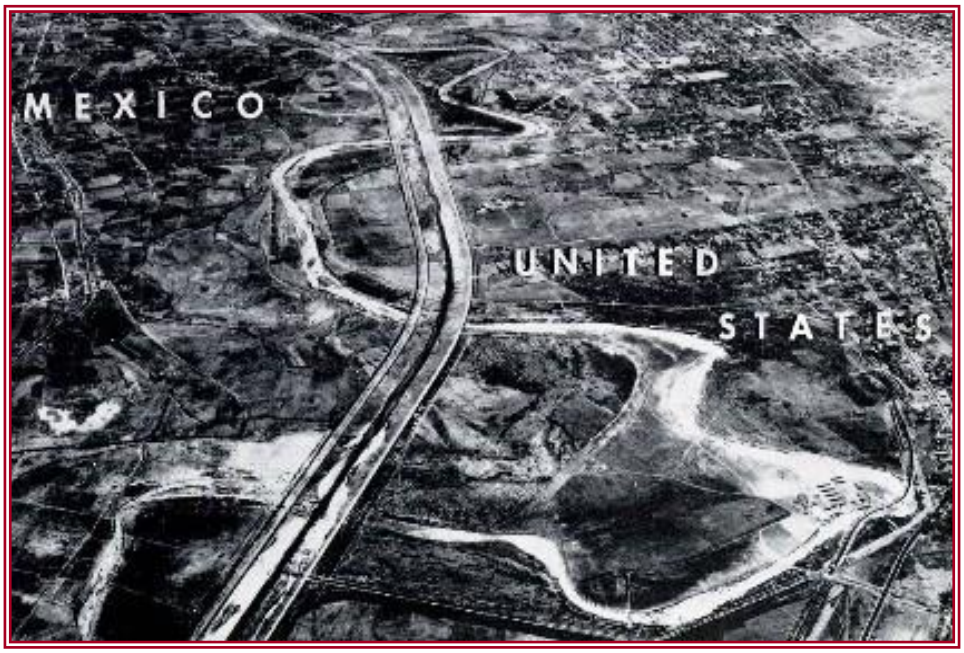
Stone and iron monuments were erected during the resurvey expedition in the early 1890's to demarcate the international boundary. Monument No. 2 (left), composed of stone, was set at the summit of the Mulero Mountains known today as Mount Christo Rey, in Sunland Park, New Mexico adjacent to El Paso, Texas. Monument No. 185, made of iron, was placed on a high, rough peak of the Tule Mountains in southwestern Arizona.

As border populations increased between the years of 1906 and 1968, the Commission constructed 18 additional boundary monuments for a total of 276. The IBWC later erected 442 smaller concrete markers to enhance demarcation along the western boundary from 1976 to 1986.

In the year 1900, both Governments agreed to make the interim IBC a permanent binational entity by indefinitely extending its existence under the Convention of November 21, 1900. It is this 1889 IBC that is considered to be the direct predecessor to the modern day IBWC. The International Boundary Commission was renamed to the International Boundary and Water Commission in 1944

During the early to mid-1900s as border populations increased, the IBC was faced with more challenges. These challenges included the equitable and efficient distribution of Rio Grande and Colorado River waters between the U.S. and Mexico, Rio Grande flood control and channel stabilization, and border sanitation.

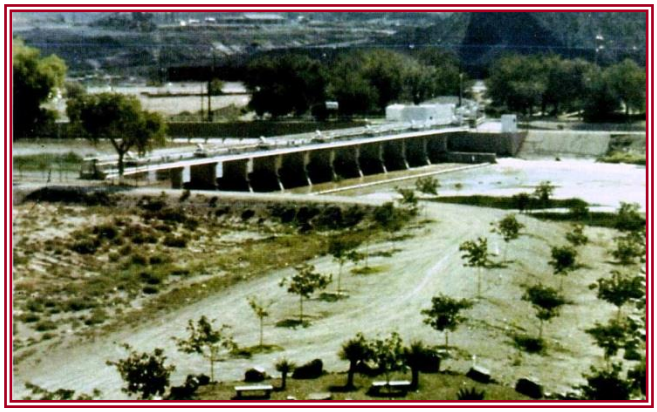
Historically, the Rio Grande was a meandering stream carrying heavy sediment loads through and below the El Paso – Juárez Valley. Channel aggrading occurred due to the flat gradient and low flow velocities, and during flood flows a new channel often formed on lower ground. In the late 1920's, the IBC formulated plans to rectify the Rio Grande and stabilize the boundary line between El Paso, Texas and Little Box Canyon in such a manner that the total areas to be cut from each country were equal. The IBC constructed the rectified Rio Grande channel with necessary grade control works and within a leveed floodway from 1934 to 1938. Thirty years later, the IBWC relocated and concrete-lined 4.35 miles of the Rio Grande channel to resolve a century old boundary dispute, known as the Chamizal Dispute, at El Paso, Texas - Ciudad Juárez, Chihuahua.



Rio Grande Rectification

Photo showing the rectification of the Rio Grande along the El Paso – Ciudad Juárez Valley in 1938 for the purpose of stabilizing the U.S. – Mexico boundary.

The U.S. Section of the IBC built the American Diversion Dam and Canal immediately upstream of the Rio Grande boundary in El Paso, Texas from 1937 to 1938. The purpose of this project was to separate Rio Grande waters allocated to the U.S. from those allocated to Mexico in the El Paso – Juárez Valley. To convey these waters more efficiently and protect U.S. lands from Rio Grande floods, the U.S. Section constructed the Rio Grande Canalization Project. This project provided for a normal-flow, rectified river channel within a leveed floodway from Percha Diversion Dam, located two miles downstream of Caballo Storage Dam, to American Diversion Dam during 1938 to 1943.



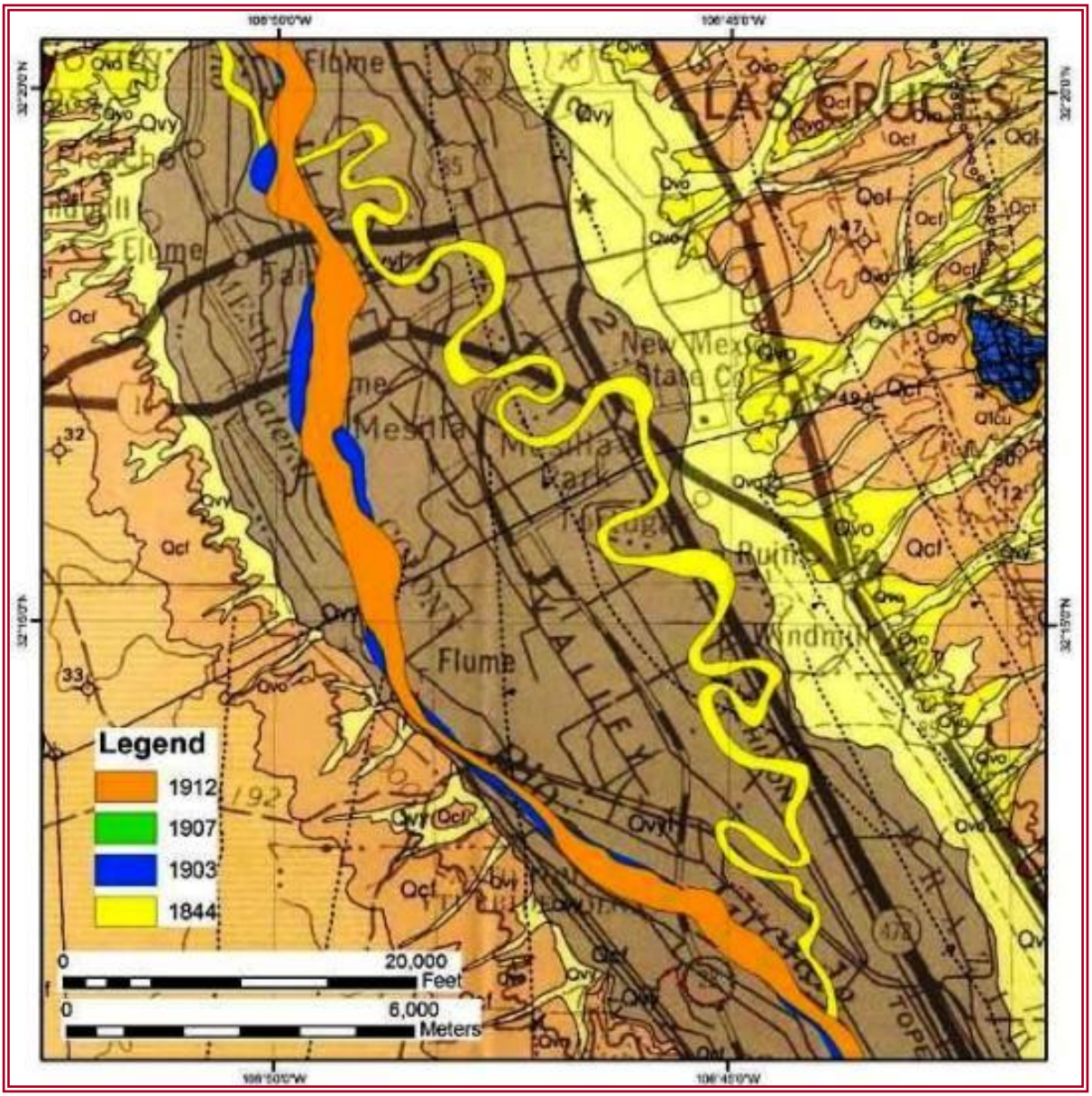
American Diversion Dam

View of American Diversion Dam in El Paso, Texas, which diverts Rio Grande waters allocated to the U.S. under the Convention of 1906.

Resolution of the Chamizal Boundary Dispute

Territory returned to Mexico, in accordance with the Convention of 1963, by relocation of the Rio Grande was relocated northward.

Two decades later, the IBWC relocated a section of the Rio Grande in El Paso, Texas – Ciudad Juárez, Chihuahua to resolve a century old boundary dispute with Mexico. This dispute, known as the Chamizal Dispute, arose when the Rio Grande moved southward, causing Mexico to lose territory in the 1860's. To resolve this issue, the IBWC constructed the Chamizal Project from 1966 to 1969 and returned 437 acres of territory to Mexico. Through this project, the agency relocated and stabilized 4.35 miles of the Rio Grande channel near Cordova Island. It also extended the flood control levees upstream from Cordova Island to immediately below American Dam to protect U.S. lands from river floods.



Historical courses of the Rio Grande in the Mesilla Valley

The historical courses of the Rio Grande, prior to its “straightening” during the Canalization Project from 1938 to 1943, are shown on this geology map. Note the smaller size of river channel between the 1844 course and later channels.

The U.S. and Mexican Governments directed the IBC in 1930 to address the flood control problems in the Lower Rio Grande Valley located in far south Texas. As a result, the IBC extended, raised, and straightened levees of the Rio Grande and its interior floodways in 1933. The IBWC later constructed Anzalduas Diversion Dam between 1956 and 1960 to allow for controlled diversion of floodwaters into the U.S. interior floodway. However, the 1958 flood demonstrated that certain improvements to the system were needed, so the IBWC raised some levee reaches and extended the river levee eight miles upstream to Penitas, Texas from 1958 to 1961. Unfortunately, Hurricane Beulah struck the region in 1967, devastating the Lower Rio Grande watershed with up to 35 inches of rain and causing major damage in both the U.S. and Mexico. The IBWC quickly responded by performing emergency repairs to the flood control system in 1968 and 1969. Soon thereafter in September 1970, the two Governments agreed to further increase the flood conveyance capacity of the system from 187,000 cfs to 250,000 cfs at the head of the valley. Beginning in 1970, the IBWC completed all the necessary flood control improvements by 1977; including levee raising, interior floodway modifications, and construction of Retamal Diversion Dam.

Lower Rio Grande U.S. Main Floodway

Construction of the south levee along the Main Floodway in the Lower Rio Grande Valley of south Texas during 1934

Hurricane Beulah Flooding

Aerial photograph of a flooded community in Harlingen, Texas after Hurricane Beulah hit the Lower Rio Grande Valley in 1967. Note that only the rooftops were visible.

During the 1940's, the Commission conducted joint studies and investigations to determine the most feasible sites for the construction of major international reservoirs and hydroelectric power plants on the Rio Grande. Construction of international storage dams and power plants would provide flood control, water conservation, recreational, and electrical power benefits to both countries. Since the U.S. and Mexico concluded that two such combinations on the Rio Grande would be feasible, the IBWC proceeded with the construction of the Falcon and Amistad International Storage Dams and Power Plants. The Falcon International Storage Dam and Power Plant was built in 1950 to 1954. Unlike Falcon, the Amistad project was constructed in two separate phases. The storage dam and reservoir was built in 1963 to 1969, and the U.S. and Mexican power plant facilities were constructed from 1980 and 1987.

Falcon International Storage Dam and Hydroelectric Power Plant

Falcon International Dam and the U.S. power plant during construction in 1952 (left), and in operation thirty-nine years later in 1993 (right). The storage dam and power plants provide water conservation, flood protection, power production, and recreational benefits to both the U.S. and Mexico. (Mexican power plant is not shown.)

Nuevo Laredo Int'l Wastewater Treatment Plant

This plant, with a capacity of 31 million gallons per day, treats Mexican sewage that would otherwise pollute the Rio Grande to U.S. secondary standards.

The U.S. and Mexico, through the IBWC, have worked together to address sanitation issues and improve the environment along the international boundary. Since the 1930's, the IBWC has jointly developed and implemented defensive sanitary works at various locations along the border. The most notable IBWC accomplishments include the construction and operation of three international wastewater treatment plants and related infrastructure on the border region to treat sewage from Mexico. The IBWC built the original Nogales International Wastewater Treatment Plant (NIWTP) at Nogales, Arizona in 1951. The IBWC operated this facility until it constructed, jointly with the City of Nogales, a larger secondary sewage treatment plant outside of the city limits in 1972, to treat both U.S. and Mexican wastewater. Also during the 1990's, the IBWC constructed the Nuevo Laredo International Wastewater Treatment Plant (NLIWTP) at Nuevo Laredo, Tamaulipas, Mexico, and the South Bay International Wastewater Treatment Plant (SBIWTP) at San Diego, California. Construction of the NLIWTP, which began in 1992, was substantially completed and placed into operation 1996. The agency started construction of the SBIWTP in 1993, and completed the advanced primary treatment facilities in 1997 and the 3.5-mile long ocean outfall in 1999. Secondary treatment upgrades were constructed to the SBIWTP 2009 to 2011.

The IBWC is charged with applying the rights and obligations that the Governments of the U.S. and Mexico assume under various boundary and water treaties and agreements, and to settle disputes that arise in the application of these agreements. The IBWC is committed to exercising this authority in an environmentally sound manner that benefits the social and economic welfare of both countries, and improves relations between the U.S. and Mexico. The IBWC is entrusted with the responsibility of diplomatically addressing boundary preservation, accounting of the national ownership of transboundary surface waters, border sanitation and water quality problems, and affording flood control protection to millions of people on both sides of the nearly 2000-mile, southern international border. This is accomplished through the joint construction, operation, and maintenance of boundary demarcation, water conveyance, and water quality facilities and infrastructure.

1944 Treaty Signing

Signing of the 1944 Treaty in Washington, DC on February 3, 1944. U.S. Secretary of State Cordell Hull, seated at the center, is signing the Treaty. Mexican Foreign Relations Secretary F. Castillo Najera is seated to his right.

1970 Treaty Signing

Signing of the 1970 Treaty in Mexico City on November 23, 1970. Signing the Treaty are U.S. Ambassador Robert H. McBride (left) and Mexican Secretary of Foreign Affairs Antonio Carrillo Flores (right).

UNITED STATES AND MEXICO BOUNDARY

As established by Treaties in 1848, 1853, and 1970, the boundary between the U.S. and Mexico extends 1,954 miles, excluding the maritime boundaries of 18 miles in the Pacific Ocean and 12 miles in the Gulf of Mexico. Beginning at the Gulf of Mexico, the U.S. – Mexico continental boundary follows the centerline of the Rio Grande a distance of 1,255 miles from the Gulf to a point in El Paso, Texas and Ciudad Juárez, Chihuahua. From this point, the boundary follows a westward alignment marked by monuments and markers overland below New Mexico and Arizona a distance of 534 miles to the Colorado River. The boundary continues northward along the centerline of the Colorado River for 24 miles, where it once again follows a westward alignment marked by monuments and markers overland below California to the Pacific Ocean a distance of 141 miles.

The region along the boundary is characterized by deserts, rugged mountains, abundant sunshine, and by two major rivers. These rivers, which make up approximately two-thirds of the international boundary, are the Colorado River and the Rio Grande. The rivers provide life-giving waters to the largely arid, but fertile lands along the rivers in both countries.

Although sparsely settled at the time of the 1848 and 1853 Treaties, the region rapidly developed with the emergence of the railroads in the 1880s and the development of irrigated agriculture after the turn of the century. In 2006, approximately 2.8 million acres of crop land was irrigated with the waters of the Rio Grande (1.8 million acres) and Colorado River (1.0 million acres) on both sides of the border. In addition, the Rio Grande provided 358 thousand acre-feet of water for municipal and industrial needs, which served over border residents in 2006.

Today the boundary is characterized by fifteen pairs of sister cities sustained by agriculture, import-export trade, service and tourism, and by a growing manufacturing sector. The U.S. Section estimates that between 12 and 13 million people presently live and/or work in the U.S. – Mexico border region.

THE BOUNDARY AND WATER TREATIES

Treaty of February 2, 1848

The Treaty of February 2, 1848, commonly known as the "Guadalupe Hidalgo Peace Treaty," ended Mexican – American War and established the U.S. – Mexico boundary from San Diego, California east along the Gila River, and the Rio Grande.

Treaty of December 30, 1853

The Treaty of December 30, 1853, also referred to as the "Gadsden Treaty," reestablished the U.S. Mexico boundary after the U.S. purchased the area south of the Gila River from Mexico, which is now southwestern New Mexico and southern Arizona.

Convention of July 29, 1882

The Convention of July 29, 1882 established another temporary commission to resurvey and place additional monuments along the western land boundary from El Paso, Texas – Ciudad Juárez, Chihuahua to San Diego, California-Tijuana, Baja California.

Convention of November 12, 1884

The Convention of November 12, 1884 established the rules for determining the location of the boundary when the meandering rivers transferred tracts of land from one bank of the river to the other.

Convention of March 1, 1889

The Convention of March 1, 1889 established the International Boundary Commission (IBC) to apply the rules in the 1884 Convention. It was later modified by the "Banco Convention" of March 20, 1905 to retain the Rio Grande and the Colorado River as the international boundary.

Convention of May 21, 1906

The Convention of May 21, 1906 provided for the distribution of Rio Grande waters between the U.S. and Mexico for the Rio Grande from El Paso to Fort Quitman, Texas. This Convention allotted to Mexico 60,000 acre-feet annually of the waters of the Rio Grande to be delivered in accordance with a monthly schedule at the headgate to Mexico's Acequia Madre or irrigation canal above Ciudad Juárez, Chihuahua. To facilitate such deliveries, the U.S. constructed, at its expense, the Elephant Butte Dam in its territory. The Convention includes the proviso that in case of extraordinary drought or serious accident to the irrigation system in the U.S., the amount of water delivered to the Mexican Canal shall be diminished in the same proportion as the water delivered to lands under the irrigation system in the U.S. downstream of Elephant Butte Dam.

Convention of February 1, 1933

In the Convention of February 1, 1933, the two Governments agreed to jointly construct and maintain works, through the IBC, to straighten and stabilize the Rio Grande, which serves as the international boundary, from International Dam in the El Paso – Ciudad Juárez Valley to Little Box Canyon below Fort Quitman, Texas. The 1933 Convention required reducing the length of the meandering river from approximately 155 miles to about 88 miles and confining the channel between two parallel levees.

Treaty of February 3, 1944

The Treaty of February 3, 1944 entitled, "Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande" distributed the waters of the Colorado River and of the Rio Grande below Fort Quitman, Texas between the U.S. and Mexico. This Treaty, also referred to as the "Water Treaty", changed the name of the International Boundary Commission (IBC) to the International Boundary and Water Commission (IBWC), and expanded its authority by entrusting the IBWC to address all border sanitation problems. The 1944 Treaty provided for joint construction, operation, and maintenance of storage dams, diversions dams, and hydroelectric power plants on the Rio Grande. It also provided provisions for flood control works to protect adjacent lands from flood waters of the Rio Grande, Colorado River, and Tijuana River.

Convention of August 29, 1963

The Convention of August 29, 1963, referred to as the "Chamizal Convention," resolved a century-old boundary problem at El Paso, Texas – Ciudad Juárez, Chihuahua, known as the Chamizal Dispute, involving some 600 acres of territory which were transferred from the south to the north bank of the Rio Grande by movement of the river during the latter part of the Nineteenth Century. By this Convention, the two Governments gave effect to a 1911 arbitration award under 1963 conditions. It provided for the relocation by the IBWC of 4.35 miles of Rio Grande channel as to transfer a net amount of 437 acres from the north to the south side of the river. President Lyndon Johnson met Mexican President Adolfo Lopez Mateos in El Paso, Texas on September 24, 1964 to commemorate the ratification of the Chamizal Convention.

Treaty of November 23, 1970

The Treaty of November 23, 1970 resolved all pending boundary differences and provided for maintaining the Rio Grande and the Colorado River as the international boundary between the U.S. and Mexico. This Treaty, known as the "Boundary Treaty," superseded the Conventions of 1884 and 1905. The 1970 Treaty reestablished the Rio Grande as the boundary throughout its 1,254-mile limitrophe section and provided a different method for resolving changes in the boundary and transfers of territory due to changes in the course of the river. The Treaty includes provisions for restoring and preserving the character of the Rio Grande and the Colorado River as the international boundary where that character has been lost, to minimize changes in the channel, and to resolve problems of sovereignty that might arise due to future changes in the channel of the Rio Grande. It provides for procedures designed to avoid the loss of territory by either country incidental to future changes in the river's course due to causes other than lateral movement, incident to eroding one of its banks and depositing alluvium on the opposite bank. This Treaty, too, charged the IBWC with carrying out its provisions.

PROCEDURES FOR SOLUTION OF BOUNDARY AND WATER PROBLEMS

Prior to addressing a problem, the U.S. Section must ensure that the necessary authorities are in place to execute a solution. Implementation of broad provisions of treaties and other international agreements frequently require specific agreements by the IBWC for planning, cost sharing, construction, and operation and maintenance of joint works. IBWC decisions are subject to the approval of the two Governments and are recorded in the form of Minutes. Once approved by both Governments, the Minutes enter into force as binding obligations of the U.S. and Mexican Governments.

When a new or anticipated boundary or water problem is identified, the U.S. and Mexican Commissioners make recommendations to their respective Governments for its resolution. Early detection and evaluation of the problem and the development of measures for resolution are a part of the mission of the IBWC. Most problems are resolved by the development of new projects. The need for development of new cooperative projects may also be brought to the attention of the IBWC by one or both Governments, or by state or local authorities through their respective Section of the IBWC. If the findings of the IBWC joint investigations, often recorded in a joint report of the Principal Engineers of the two Sections, show that a cooperative project is needed, is feasible and can be justified as an international project, the IBWC may endorse the findings in a Minute and recommend the project to the two Governments.

Once the project is authorized and funded by both Governments, each Government through its Section proceeds to perform under the joint supervision of the IBWC, its share of the works, as determined in the approved agreement.

The two Governments generally share the total costs of the projects in proportion to their respective benefits in cases of projects for mutual control and utilization of the waters of a boundary river, unless the Governments have predetermined by treaty the division of costs according to the nature of a project. In cases of man-made works in one country or operations in one country causing or threatening to cause damage in the other country, the cost is borne by the Government in whose territory the problem originated. The U.S. Section prepares its assigned part of the plans for works or contracts for their preparation with other federal agencies or with private consulting engineers, awards contracts for, and supervises its part of the construction of a project under the overall supervision of the IBWC. The United States Section operates and maintains the part of the project assigned to the U.S. Government.

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

STRATEGIC GOAL 1 – BOUNDARY PRESERVATION

Preserve the U.S. and Mexico boundary, through binational cooperation, in accordance with international agreements.

The 1848 Treaty of Guadalupe Hidalgo, which ended the Mexican – American War, and the 1853 Gadsden Treaty established the international boundary between the U.S. and Mexico. In addition, both Conventions established temporary joint Commissions to designate and demarcate the boundary line with ground landmarks. A binational survey and demarcation effort undertaken from 1849 to 1855 established the land boundary with 52 obelisk and stone mound monuments between the Pacific Ocean and the Rio Grande. The International Boundary Commission was established under the Convention of 1889 to apply the rules adopted under an 1884 Convention for resolving boundary issues resulting from the meandering of the Rio Grande and the Colorado River. It was made a permanent body in 1900. Pursuant to the 1882 Convention that addressed the land boundary, the Barlow – Blanco Survey resurveyed the borderline from 1891 to 1894 and increased the number of boundary monuments from 52 to 258. Later, as border populations increased during the 1900's, the Commission installed 18 additional boundary monuments for a total of 276.

The 1944 Treaty expanded the jurisdiction and responsibilities of the Commission and allocated the waters of the Rio Grande from Fort Quitman, Texas to the Gulf of Mexico and the Colorado River. The Convention of 1933 rectified the Rio Grande channel and provided a new river boundary between El Paso, Texas and Fort Quitman, Texas. The Chamizal Convention of 1963 relocated approximately 4.35 miles of the Rio Grande boundary to resolve boundary issues resulting from the southward movement of the river in the El Paso, Texas – Ciudad Juárez, Chihuahua Valley from 1852 to 1895. The 1970 Treaty, which superseded the 1884 Convention, resolved all pending boundary differences between the two countries, and provided for maintaining the Rio Grande and the Colorado River as the international boundary by authorizing works to protect against bank erosion. The 1970 Treaty also provided procedures to avoid the loss of territory by either country incident to future changes in a river's course.

IBWC Minute No. 244, signed in December 1973, provided for a permanent maintenance program for boundary monuments. Later in July 1975, IBWC Minute No. 249 introduced smaller, intermediate concrete markers between the boundary monuments to provide better demarcation of the international boundary in critical border areas. Records indicate that 442 markers were erected, mostly around areas experiencing population growth. IBWC Minute No. 302 in December 1999 provided for enhanced boundary demarcation at border ports of entry.

The 1970 Treaty mandated the delineation of the international boundary on maps or aerial mosaic photos for the Rio Grande and Colorado River Boundary. It also established the frequency to update these maps at intervals not greater than 10 years. IBWC Minute No. 278, dated March 1989, jointly approved the current boundary maps developed from photographic surveys conducted in 1982 and 1983.

Accomplishments

The agency produced draft aerial maps delineating the path of the Rio Grande forming the international boundary from aerial imagery collected in 2014. The U.S. and Mexican Sections are currently reviewing these draft maps to identify changes of the Rio Grande boundary against that of the official Rio Grande boundary adopted by the United States and Mexico in November 2009. The review of these draft aerial maps is expected by 2016. Any shifts in the Rio Grande boundary line will be addressed in accordance with the provisions set forth in 1970 Treaty.

The U.S. Section inspected and refurbished three (3) International Land Boundary Monuments along the border in Arizona.[1] The U.S. Section also repainted and replaced demarcation markers (buttons) at two (2) transboundary stormwater conveyance tunnels in Arizona[2] and at ten (10) International Bridge Ports of Entry in Texas.[3] The agency also rehabilitated six (6) jurisdictional boundary demarcation buoys sited on Amistad International Reservoir. Lastly, the U.S. Section worked with the Mexican Section to reestablish the Rio Grande boundary by realigning the channel at the mouth or confluence of the Navarete Arroyo.

Plan

In FY 2017, the U.S. and Mexican Sections will work together to begin addressing changes in the Rio Grande boundary in accordance with the 1970 Treaty. The agency will also continue to inspect and refurbish accessible international land boundary on the Arizona border that need restoration. The Commission will also continue to make a reasonable effort to maintain all boundary plaques and pavement markers at all border ports of entry. The agency will also inspect and maintain the buoys and markers, which identify the jurisdictional line at Amistad and Falcon International Reservoirs.

The U.S. Section will also continue to work diplomatically with the Mexican Section to resolve any and all international boundary issues.

[1] The U.S. Section restored Land Boundary Monuments Numbers 142A, 144, and 145.

[2] The U.S. Section performed demarcation work inside the Grand and Morley Storm Drainage Tunnels.

[3] The U.S. Section performed demarcation work at the Del Rio, Laredo I, Lincoln (Laredo II), Solidarity (Laredo III), World Trade (Laredo IV), Pharr, Free Trade (Los Indios), Gateway (Brownsville I), B&M (Brownsville II), and Veterans (Brownsville III) International Bridge Ports of Entry.

STRATEGIC GOAL 2 – WATER QUANTITY OPERATIONS

Provide flood protection to U.S. residents and ensure the efficient conveyance, utilization, and accounting of boundary and transboundary river waters through the operation and maintenance of dams, reservoirs, power plants, and flood control projects in accordance with domestic law and international agreements.

The Convention of 1906 provided for the distribution of Rio Grande waters between the U.S. and Mexico in the international segment of the river from El Paso to Fort Quitman, Texas. Barring extraordinary drought or serious accident to the U.S. irrigation system, the U.S. agreed to deliver 60,000 acre-feet of water annually to Mexico at the Acequia Madre head works, adjacent to the International Dam in El Paso, Texas. To facilitate compliance with the 1906 Convention, the U.S. Congress passed the Acts of August 29, 1935 and June 4, 1936. The 1935 Act provided for the construction and operation of the American Dam and Canal for the purpose of diverting U.S. waters and releasing Mexican waters. The 1936 Act shortened the Rio Grande to reduce the conveyance losses of irrigation waters by straightening the channel between Caballo Storage Dam and American Dam.

The 1944 Treaty distributed the waters of the Colorado River, and the Rio Grande from Fort Quitman to the Gulf of Mexico. Under this Treaty, the U.S. was allotted all waters from the Pecos River, Devils River, and five other U.S. tributaries reaching the Rio Grande, as well as one-third of the flow reaching the Rio Grande from the Conchos River and five other named Mexican tributaries, provided that this third is not less than 1,750,000 acre-feet over a 5-year cycle (annual average of 350,000 acre-feet). The Treaty further provided one-half of the flows of the Rio Grande below the lowest storage dam, and one-half of the flows from the unmeasured tributaries to the U.S. In regards to the Colorado River, the U.S. agreed to provide an annual volume of 1,500,000 acre-feet to Mexico, unless extraordinary drought or accident to the irrigation system in the U.S. make it difficult to deliver the guaranteed quantity. In years of surplus waters in excess of the amount necessary to supply uses in the U.S., the Treaty guarantees up to an additional 200,000 acre-feet to Mexico. The distribution of Tijuana River waters was not concluded between the two countries in the 1944 Treaty, but was to be subject to the study and investigation of the IBWC.

The Convention of 1933 not only provided for rectification of the Rio Grande, but also entrusted the IBWC with the construction, operation, and maintenance of river structures and flood control levees between El Paso and Fort Quitman. The 1944 Treaty and subsequent IBWC Minutes authorized the U.S. and Mexico to construct, operate and maintain works for storage and conveyance of water, flood control, and stream gaging on the Tijuana and Colorado Rivers, and on the Rio Grande from Fort Quitman to the Gulf of Mexico. In addition, the treaty authorized the joint construction, operation, and maintenance of up to three large storage dams and hydroelectric power plants on the Rio Grande, two of which have been built. The 1970 Treaty requires the IBWC to maintain the conveyance of established normal flows and design flood flows by prohibiting obstructions within the international segments of the Rio Grande and Colorado River.

Accomplishments

The U.S. Section regularly operated and maintained its hydrologic gaging stations, cableway systems, gaging station access roads, and telemetry equipment; used to collect, measure, transmit, compile, and account for the allocation of Rio Grande and Colorado River waters between the U.S. and Mexico. The agency also upgraded its streamflow measurement equipment at the two (2) Rio Grande gaging stations located in southern Texas at Rio Grande City and Los Ebanos.

The U.S. Section collaborated with the Mexican Section to allocate, compute and account for the delivery of Rio Grande and Colorado River waters in accordance with the 1906 and 1944 Treaties.

The U.S. Section continued its efforts to evaluate and improve deficient levee segments and associated structures in the Upper and Lower Rio Grande Flood Control Systems. In addition to performing the engineering and design work for levee system improvements in the Upper and Lower Rio Grande regions, the agency accomplished the following construction work below.

Flood Control System	Rio Grande Levee Improvement Segments	Percent Complete[4]	Distance (Miles)
Lower Rio Grande	Progreso (Hidalgo County, TX)	95%	6.0
Upper Rio Grande	Replacement of Wasteway Structures #1 and #2 within the Ysleta to Fabens Levee Reach[5] (El Paso County, TX)	0%	0.16
Upper Rio Grande	North Floodway Phase1 Railroad Crossings[6] (Hidalgo County, TX)	0%	0.04
	Initiated/On-going Construction Subtotal:		**6.2**
Upper Rio Grande	Vado (Dona Ana County, NM)	100%	1.1
	Completed Construction Subtotal:		**1.1**

The agency also maintained the capacities of its Rio Grande Flood Control Systems by mowing vegetation on the floodplain and levee slopes. The annual mowing goals were met in the Upper Rio Grande and in the Presidio Valley. The annual mowing target in the Presidio Valley remained at 800 acres, but additional mowing was required in the Presidio Valley to control vegetation growth on the floodplains due to a rainier than average year. The annual mowing goal in the Upper Rio Grande region was also met, even though the target area was increased for risk reduction purposes from 6,250 acres to 10,000 acres. In the Lower Rio Grande Valley, the annual mowing requirement was increased from 10,200 acres to 11,700 acres to incorporate flowage easements within the floodways that were previously being farmed.[7] Unfortunately, only 95.6% of the new Lower Rio Grande goal was accomplished.

[4] Refers to substantially complete; when an asset can be placed into use.

[5] Construction contract was awarded on September 27, 2016.

[6] Construction contract was awarded on September 30, 2016.

[7] In FY 2014, the mowing requirement in the Lower Rio Grande Valley was 8,000 acres.

Vegetation Management Floodplain and Levee Mowing		
Flood Control System	**Annual Target (Acres)**	**Actual Totals (Acres)**
Upper Rio Grande	10,000	11,545
Presidio Valley	800	1,380
Lower Rio Grande	11,700	11,190
Totals:	**22,500**	**24,115**

The agency also maintained the river and floodway channels by removing sediment, and the levees by regrading crown and/or slopes resurfacing the levee roadway as needed. The tables below summarize the accomplishments.

Flood Control System	Sediment Removal (Cubic Yards)	Levee Regrading (Miles)	Levee Resurfacing (Miles)
Upper Rio Grande – Canalization[8]	94,000	104	0
Upper Rio Grande – Rectification[9]	15,900	15	0
Presidio Valley	15,800	8	2
Lower Rio Grande – River Floodway	0	88	0
Lower Rio Grande – Interior Floodways[10]	175,390	182	0
Totals:	**301,090**	**397**	**2**

The U.S. Section also performed maintenance of five (5) sediment control dams in the Canalization segment of the Upper Rio Grande Flood Control System. The work consisted of vegetation removal and re-grading of access roads, and the slopes and crown of the sediment control dams. The dams, which are located along major arroyos, reduce the amount of sediment that is deposited into the river channel to sustain established channel capacities.

The Upper Rio Grande Flood Control System protects one million U.S. residents in the metropolitan statistical areas of Las Cruces, New Mexico and El Paso, Texas with its 223 miles of levees. The fifteen-mile long Presidio Valley Flood Control System provides flood protection to nearly 5,000 people in Presidio, Texas. The Lower Rio Grande Flood Control System, with its 270 miles of river and interior floodway levees, protects one million U.S. residents in the following metropolitan statistical areas of Brownsville-Harlingen and McAllen-Edinburg-Mission in south Texas.

The U.S. Section continued to performed the annual operation, maintenance, and repairs on its four diversion dams and Falcon International Storage Dam to include sandblasting, priming, and repainting of gates; lubrication of the hoist gears mechanism and chains, replacement of the

[8] The "Canalization" segment is the 106-mile section of the Upper Rio Grande Flood Control System located in southern New Mexico and western Texas that falls upstream of the international boundary.

[9] The "Rectification" segment is the 91-mile stretch of the Upper Rio Grande Flood Control System that extends along the international river boundary in western Texas.

[10] The Interior Floodways consist of the Main Floodway, North Floodway, and Arroyo Colorado.

gate seals; cleaning of weirs, etc. However, annual maintenance on the structures and gates was not completed at Amistad International Storage Dam due to the unavailability of a suitable crane. The agency also continued its operation and maintenance of the Amistad and Falcon Hydroelectric Power Plants.

The Commission continued the comprehensive engineering investigations on the embankment and foundation of Amistad International Storage Dam for conclusion of the Dam Safety Modification (DSM) study, which will evaluate alternatives and determine the most viable solution for remediation of the existing seepage problem resulting from the formation of underground sinkholes. in addition, the U.S. Section initiated a design to permanently plug Amistad Dam Penstock #4, which is no longer needed. The agency also replaced the old lighting system on the United States side of Falcon International Storage Dam with a more efficient and effective LED security lighting system.

The U.S. Section continued its design and construction efforts to replace the deteriorated American Canal[11], which was initially constructed in 1938 to convey Rio Grande waters to U.S. stakeholders in El Paso, Texas and is at the end of its life cycle. Replacement of the canal can only be performed during the non-irrigation season, which typically extends from mid-October to mid-February. Demolition, fabrication, and construction for the replacement of the lower segment is approximately 20% complete. The agency also completed the revised design for the upper canal segment, and has completed 90% of the design work for the middle and final canal segment.

The agency also initiated the environmental assessment for a new project to rehabilitate approximately four miles of deficient levees and related flood control structures of the Tijuana River Flood Control System in the United States. The Tijuana River crosses the international boundary into the United States in San Diego County, California and flows westerly for 5.3 miles where it discharges into the Pacific Ocean. The north levee system protects the community of San Ysidro, California and the south levee protects the South Bay International Wastewater Treatment Plant from river floods.

The agency continued to renovate, improve, or replace key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities. The U.S. Section completed the construction of the new administration building at Amistad International Dam, and initiated a design to replace the existing administration building at Falcon International Dam. The U.S. Section also initiated the installation and implementation of improved physical security measures at Retamal and Anzalduas Diversion Dams to protect against physical threats and hazards.

Plan

The U.S. Section will continue to maintain its flood control levees, floodplains, and channels to ensure proper conveyance of river waters within the established flood control parameters. Levee maintenance will consist of grading, spot repairs, and resurfacing. The U.S. Section will maintain its floodplains and channels through mowing and sediment removal

[11] The American Canal is subdivided into three segments – upper, middle, and lower segments. Each segment to be replaced is separated by a highway culvert and is approximately 0.5-mile in length.

activities. The agency will acquire the necessary permits and environmental documentation prior to commencing any of the sediment removal activities.

The Commission will continue to operate and maintain its dams for the purpose of diversion, conservation, flood control, and generation of hydroelectric power. Safety inspections of dams will be conducted as required to identify deficiencies. The IBWC will implement corrective measures and/or construct improvement to reduce the risk of operational failure and comply with the requirements of the Federal Safety of Dams Program.

The agency will continue to improve deficient levee segments and structures in the Upper Rio Grande, Lower Rio Grande, and Tijuana River Flood Control Systems to ensure the conveyance of the design flood and compliance with FEMA certification criteria. Deficient levee segments will be improved in order of priority by risk, population, and development. The U.S. Section will continue its close coordination with its stakeholders to address conveyance, storage and diversion issues concerning the waters of the Rio Grande, Colorado River, and Tijuana River.

The U.S. Section will continue its engineering and construction efforts to replace the old American Canal, which conveys U.S. waters allocated of the Rio Grande to the for municipal, agricultural, and industrial uses. The agency plans to initiate construction of the subsequent two phases, the upper and middle canal segments in FY 2017 and FY 2019, respectively. Replacement of the entire canal is expected to be completed in FY 2021.

The agency will also continue to renovate, improve, or replace key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities. The U.S. Section plans to issue a design and build contract for the demolition and replacement of the deteriorated office building that houses the administration functions at the Falcon Field Office.

STRATEGIC GOAL 3 – WATER QUALITY MANAGEMENT

Improve the quality of boundary and transboundary waters, in concert with Mexico, to address salinity and border sanitation problems pursuant to international agreements and applicable U.S. law.

The 1944 Treaty directed the IBWC to give preferential attention to the solution of all border sanitation problems concerning boundary and transboundary waters, and granted authority to provide any necessary sanitary measures or works to satisfy that requirement. Under IBWC Minute No. 261, dated September 1979, both governments agreed to identify border sanitation problems and solutions. This applied to waters crossing the border, including coastal waters, as well as those flowing along the Rio Grande and Colorado River boundary. Subsequent IBWC Minutes individually addressed specific border sanitation issues at many border communities including: San Diego/Tijuana, Calexico/Mexicali, Naco/Naco, Nogales/ Nogales, Del Rio/Ciudad Acuña, Eagle Pass/Piedras Negras, Laredo/Nuevo Laredo, Hidalgo/ Reynosa, and Brownsville/Matamoros.

In an effort to resolve the border sanitation problems in San Diego, California and Tijuana, Baja California, the IBWC concluded IBWC Minutes No. 270, 283 and 311. These Minutes provide the framework for treatment of sewage inflows from Tijuana, Mexico to U.S. secondary standards. The *Tijuana River Valley Estuary and Beach Cleanup Act of 2000*, further authorized the U.S. Section to provide secondary treatment of Tijuana sewage. The U.S. Section has constructed and is operating the advanced primary treatment facilities at the South Bay International Wastewater Treatment Plant (SBIWTP), and is currently developing options for secondary treatment of the advanced primary effluent.

By authority of the 1944 Treaty, the IBWC constructed the Nogales International Wastewater Treatment Plant (NIWTP) in 1951 at Nogales, Arizona to address sewage treatment needs on both sides of border. The Commission jointly operates and maintains this plant in accordance with IBWC Minute No. 206. The IBWC later relocated the NIWTP to Rio Rico, Arizona as agreed upon under IBWC Minute No. 227. The NIWTP is co-owned by the City of Nogales, Arizona and IBWC.

The Commission agreed under IBWC Minute No. 279 to improve the quality of the Rio Grande waters at the sister cities of Laredo, Texas and Nuevo Laredo, Tamaulipas. This was accomplished through the joint construction of the Nuevo Laredo International Wastewater Treatment Plant (NLIWTP) at Nuevo Laredo, Tamaulipas, Mexico. IBWC Minute No. 297 provides the operation and maintenance obligations of both Sections.

In 1993, the U.S. and Mexico established the Border Environment Cooperation Commission (BECC) and the North American Development Bank to assist states, localities, and private entities in development of border environmental infrastructure projects. The IBWC agreed in IBWC Minute No. 299 to provide support to BECC for development of projects to resolve border sanitation issues.

The 1944 Treaty is the primary authority that grants the IBWC the right to address and resolve water quality issues at boundary and transboundary rivers and streams. IBWC Minutes No. 241 and 242 provided for measures to improve the quality of Colorado River water made available to Mexico at the Northerly International Boundary. Furthermore, the U.S. agreed in

IBWC Minute No. 242 to deliver flows to Mexico upstream of Morelos Dam having an annual average salinity of no more than 115+/-30 parts per million U.S. count over the flow-weighted annual average salinity of Colorado River waters that arrive at Imperial Dam.

In an effort to address growing water quality issues along the border, the IBWC concluded Minutes No. 279 and No. 289. The adoption of these Minutes facilitated the development of binational multi-phase and multi-agency efforts to characterize the extent of contamination within both countries' shared water resources. The following studies were conducted in the Rio Grande, Colorado River, and New River to identify the level of contamination in areas of concern such as expanding urban areas that depend on these water resources for multiple uses such as a domestic water supply, agriculture, and recreation.

- Binational Study Regarding the Intensive Monitoring of the Rio Grande Waters in the vicinity of Laredo/Nuevo Laredo Along the Boundary Portion Between the United States and Mexico (July 1997). A follow-up study was conducted after the completion of the Nuevo Laredo International Wastewater Treatment Plant in November 2000.
- Binational Study Regarding the Presence of Toxic Substances in the Rio Grande/Rio Bravo and its Tributaries Along the Boundary Portion Between the United States and Mexico (1992), Second Phase (1997), Third Phase (1998).
- Binational Study Regarding the Presence of Toxic Substances in the Lower Colorado and New Rivers (1995).

The Texas Legislature passed the Texas Clean Rivers Act and established the Texas Clean Rivers Program in 1991. The goal of the program is to maintain and improve the quality of water within each river basin in Texas through an ongoing partnership involving the Texas Commission on Environmental Quality, river authorities (program partners), other agencies, regional entities, local and state governments, industry, and citizens. The program uses a watershed management approach to identify and evaluate water quality issues, establish priorities for corrective actions, and work to implement those actions. Due to the international nature of the Rio Grande, the State of Texas contracted with the U.S. Section in October 1998 to administer the Texas Clean Rivers Program for the Rio Grande Basin.

Accomplishments

The U.S. Section continued its efforts to improve and sustain the water quality of boundary and transboundary rivers by collaborating with stakeholders to monitor, compile, and exchange water quality data on the mouth of the Tijuana River (Pacific Ocean) and on the Rio Grande, Colorado, and New Rivers. In addition, the agency continued to work with stakeholders to develop and implement solutions to reduce the discharge of untreated wastewater into the New River. The Commission continued conducting binational technical meetings to jointly evaluate water quality sampling, and measurement and data collection procedures to address salinity issues on the Colorado River. In addition, both Sections continued to work with stakeholders to establish a binational framework in an effort to jointly resolve the sediment and trash problems affecting the Tijuana River Basin.

The agency operated and maintained the SBIWTP and NIWTP on a daily basis to treat wastewater from Mexico and prevent unsanitary conditions along the border. The U.S. Section treated 9,036.5 million gallons of sewage, equating to an average of 24.76 million gallons per day (mgd), from the city of Tijuana, Baja California at the SBIWTP, which is within Mexico's allotted

capacity of 25.0 mgd. The agency also treated million 3,837.0 gallons of sewage, or an average of 10.51 mgd, from the city of Nogales, Sonora at the NIWTP. This was 223.5 million gallons, or 0.61 mgd above Mexico's allotted capacity of 9.90 mgd. Furthermore, the U.S. Section also continues to provide technical assistance and financial support to the Mexican Section to ensure the proper operation and maintenance of the Nuevo Laredo International Wastewater Treatment Plant (NLIWTP), which discharges into the international reach of the Rio Grande.

The agency initiated the construction of infrastructure improvements at the SBIWTP to comprehensively address issues related to compliance with the National Pollutant Discharge Elimination System (NPDES) discharge permit requirements. These infrastructure improvements include a dual-tank equalization basin, three secondary settling tanks (clarifiers), and an improved activated sludge pump system with a pump station to ensure compliance with the NPDES permit requirements during prolonged periods of peak wastewater inflows at the SBIWTP.

The U.S. Section continued working with the City of Nogales, Arizona to rehabilitate the Nogales Main Collector Line (Trunkline) and International Outfall interceptor (IOI), which is the transboundary 8.8-mile long pipeline system that conveys raw sewage from the Mexican City of Nogales, Sonora, and the U.S. Cities of Nogales and Rio Rico, Arizona to the Nogales International Wastewater Treatment Plant (NIWTP) for treatment to U.S. secondary standards. The rehabilitation effort will only focus on the U.S. portion of the pipeline, which will be phased over five segments. The pipeline rehabilitation design of is 90% complete, while the designs of remaining phases are about 85% complete.

The U.S. Section also constructed improvements at SBIWTP and NIWTP field office facilities. The agency constructed a new administration building to replace the existing trailer, which was established as a temporary facility, to support operations at the SBIWTP. The agency also removed and replaced the old canopy of the NIWTP belt filter press system, which consisted of a canvas roof on a light-weight steel frame, with an upgraded full-metal canopy structure with infrared heaters. To better protect against physical threats and hazards, the U.S. Section initiated the installation and implementation of improved physical security measures at both the SBIWTP and NIWTP facilities.

Plan

The U.S. Section will continue to work with its stakeholders to monitor, compile, and exchange water quality data along the Rio Grande, Colorado, Tijuana and New Rivers and related tributaries. The agency will continue to operate and maintain the SBIWTP and NIWTP, and provide support to the Mexican Section for operation and maintenance of the NLIWTP. The agency will also continue to renovate, improve, or replace key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities.

The U.S. Section plans to complete the rehabilitation design for all five segments of the Nogales Trunkline and IOI, and will strive to conclude a cost-sharing agreement with the City of Nogales for construction of the improvements in FY 2017. The agency also plans to design and build improvements to protect the NIWTP ultraviolet disinfection system from weathering under the extreme environmental conditions common to this region. Lastly, the U.S. Section will complete the physical security enhancements at the SBIWTP and NIWTP facilities.

STRATEGIC GOAL 4 – RESOURCE AND ASSET MANAGEMENT

Maximize organizational effectiveness through innovative management and accountability of human, physical, and fiscal resources.

To ensure that scarce public resources are wisely invested, federal agencies must manage their allocated resources and portfolio of capital assets in the most effective and efficient manner possible. Agencies must follow a capital programming process that integrates the planning, acquisition, and management of capital assets into the budget decision-making process. Capital programming is intended to assist agencies in improving asset management and in complying with all mandatory and regulatory requirements.

In today's world, agencies must abide by many results-oriented Acts. Some of the most commonly referenced include:

- **The Government Performance and Results Modernization Act of 2010** establishes the foundation for federal agencies to be successful by creating a performance planning and accountability process in which agencies clarify their mission, set goals, measure performance, and submit annual progress reports to improve the effectiveness and efficiency of Federal action.

- **The Federal Managers Financial Integrity Act of 1982** mandates that federal agencies develop cost-effective internal controls, and provide an annual statement of assurance that identifies material weaknesses.

- **Chief Financial Officers Act of 1990** establishes a leadership structure, provides for long-range planning, requires audited financial statements, and strengthens accountability reporting.

- **Federal Financial Management Improvement Act of 1996** requires federal financial management to provide accurate, reliable, and timely financial management information to the government's managers, and to publish audited financial reports.

- **The Energy Policy Act of 2005** sets energy reduction goals for federal agencies from 2006 to 2015, and requires new federal buildings to be at least 30% more energy efficient than standards established in 2004, if life-cycle cost-effective.

- **The Paperwork Reduction Act of 1995** requires agencies to perform their information resources management activities in an efficient, effective, and economical manner.

- T**he Clinger-Cohen Act of 1996** calls for agencies to use a disciplined capital planning and investment control process to acquire, use, maintain and dispose of Information Technology (IT) in alignment with the Agency's enterprise architecture planning processes.

- **The Federal Acquisition Streamlining Act of 1994, Title V** streamlines and simplifies federal procurement procedures for acquiring goods and services.

- **The E-Government Act of 2002** requires agencies to improve customer service, and save tax dollars by implementing initiatives that will improve the methods by which Government information, including information on the Internet, is organized, preserved, and made accessible to the public.

- **The Federal Information Security Management Act of 2002** directs agencies to integrate IT (Information Technology) security into their capital planning and enterprise architecture processes, conduct annual IT security reviews of all programs and systems, and report the results of those reviews to Office of Management and Budget (OMB).

There are also numerous laws, regulations, executive orders, and other mandates with which federal agencies must comply. Many requirements are direct, while others indirect. For instance, agencies must ensure that their employees, as well as contractors, follow Occupational Safety and Health Administration regulations. Agencies are also obligated to operate in an environmentally friendly manner, and must apply the requirements set forth in the National Historic Preservation Act of 1966 and the National Environmental Policy Act of 1969 to any and all actions involving federal resources or assets. The U.S. Section will comply with all applicable requirements, and keep the public and its stakeholders informed of its intentions and progress.

Accomplishments

The U.S. Section continued developing policy and implementing the necessary measures to meet new and updated federal mandates. The U.S. Section continued its advancement towards FISMA compliance this year by upgrading and hardening the Industrial Control System (ICS) at the NIWTP and SBIWTP. Cyber-security improvements were completed at the NIWTP and are underway at the SBIWTP. The agency continued to improve its continuous monitoring program capabilities by providing real-time detection of IT cyber security threats and preventing cyber-security attacks. A recently installed Data Loss Prevention (DLP) solution will help the agency better protect its data at rest and data in transit, to include encryption methods for Personally Identifiable Information (PII) and sensitive information.

To help manage its property and resources for support of mission objectives, the agency continues to use multiple database systems. Geographic Information System (GIS) is used to develop flood inundation and hydraulic models for planning and execution of flood control activities such as vegetation management, sediment removal, and levee maintenance. The electronic Document Management System (eDMS) is used to digitally store maps, photographs, realty documents, and other agency correspondence. The Global Financial Management and Integrated Logistics Management Systems (GFMS and ILMS) are utilized to track and record the procurement and payment of all goods and services obtained by the agency.

A comprehensive agency wide personal property inventory was conducted to certify the accountability and serviceability of all personal property. The agency successfully accounted for 96.26% of all active personal property and 100% of all capitalized property. In addition, a further statistical sampling of personal property was conducted agency wide by the Property Officer to validate the integrity of the annual inventory with 98.67% of all assets being validated.

The agency conducted two internal audits this period. The first audit was performed to determine if management officials were properly implementing and documenting internal control activities (procedures) in accordance with OMB Circular A-123. As a result of the audit, modified

questionnaires and additional guidance was provided management officials. The second audit was conducted to confirm that the management and accounting of funds for the maintenance of the Bridge of the Americas complies with the provisions of IBWC Minute 300. The U.S. Section also addressed various legal issues, and produced and submitted all annual compliance reports. Ethics Awareness, No FEAR Act, Equal Employment, IT Awareness, and Occupational Health and Safety training was provided for all employees as required.

The agency continued its coordination and information exchange with stakeholders by conducting periodic Citizens' Forums at four regional areas (San Diego, Lower Colorado River, El Paso/Las Cruces, and Lower Rio Grande Valley). The U.S. Section held Commission meetings with the Mexican Section on a recurring basis (usually every 4 to 8 weeks) to surface binational concerns, address issues, and resolve problems, and send regular reports (typically every 2 to 8 weeks) to the U.S. Department of State.

Plan

The U.S. Section will continue to develop policy and take the necessary steps to comply with current federal requirements. It will continue to address all legal and compliance related issues, and submit required compliance reports. The agency will continue to examine all internal controls, policies and procedures, and follow-up on the findings of the operational controls audit completed this year.

The agency will continue the strict application of Federal IT system security standards to all three USIBWC IT Systems. The U.S. Section plans to complete the ICS upgrades and initiate a real-time continuous monitoring program at the SBIWTP for comprehensive detection and mitigation of IT cyber-security threats. The agency will also be implementing continuous monitoring, configuration management, remote access and incident response and reporting capabilities within those systems to continue to improve our IT Security program at all our system locations.

The U.S. Section will continue to utilize federally-compliant database systems, eDMS, ILMS, and GFMS to track and manage all its records, property, and resources in an efficient and effective manner in furtherance of mission objectives. The U.S. Section will continue to develop mobile GIS-based portals to facilitate monitoring and tracking of mission operations. In addition, the agency will be exploring options to migrate to a cloud-based system for sharing of binational data between the U.S. and Mexican Sections. The agency is also striving to electronically map all parcels owned or leased by the U.S. Section and provide "point and click" documentation within GIS.

The agency will continue to conduct internal audits of its programs and processes to ensure compliance with all applicable laws, regulations and policies. The U.S. Section will also continue to properly train and educate its employees, and strive to comply with all its federally requirements and obligations.

The agency will continue to increase public awareness and involvement by conducting periodic Citizens' Forum meetings at the following five regional areas: San Diego, Lower Colorado River, Southeastern Arizona, El Paso/Las Cruces, and Lower Rio Grande Valley. It will also continue to surface binational concerns, address issues, and resolve problems with the Mexican Section by conducting Commission meetings on a regularly. The agency will improve

collaboration with its stakeholders by conducting a binational summit to evaluate the planning and effectiveness of sanitation projects along the United States and Mexico border region.

Finally, the U.S. Section will design and construct office building renovations and other structural improvements at the headquarters facility to address existing safety, security, and logistics issues. In addition to office renovations, the plans include construction of a ramp, loading dock, and warehouse to receive, process, distribute, and temporarily store furniture, equipment, supplies, and materials away from the primary entrance for public and employee safety concerns. The agency will also install and implement enhanced security measures at its headquarters facility. The headquarters facility supports all boundary and water mission objectives.

ANALYSIS OF ENTITY'S FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

The Office of Management and Budget (OMB), in conjunction with the Chief Financial Officers (CFO) Council, provides the guidelines for financial reporting in OMB Circular A-136, Financial Reporting Requirements. OMB Circular A-136 is the central reference point for Executive Branch agencies that are required to submit audited financial statements.

The U.S. General Accounting Office requires the U.S. Section to prepare and submit audited financial statements for inclusion into the Department of State's Financial Audit Report. The U.S. Section prepares its financial statements in accordance with the accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). These statements were audited by the independent certified public accounting firm of Kearney and Company.

FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEET DATA
AS OF SEPTEMBER 30, 2016 (CY) AND 2015 (PY)
(Dollars in Thousands)

	FY 2016 (CY)	FY 2015 (PY)	Net Change	Percent Change
ASSETS				
Fund balance with treasury	$ 141,397	$ 144,194	($ 2,797)	(1.9%)
Accounts receivable, net	$ 6,086	$ 6,319	($ 233)	(3.7%)
Land	$ 50,000	$ 50,000	$	0.0%
Structures, net	$ 768,497	$ 776,149	($ 7,653)	(1.0%)
Construction in progress	$ 53,086	$ 38,418	$ 14,669	38.2%
Equipment, net	$ 6,662	$ 6,382	$ 280	4.4%
Internal Use Software	$ 734	$ 1,121	($ 387)	(34.5%)
Other assets	$ 2	$ 2	($)	(0.3%)
Total assets	**$ 1,026,464**	**$ 1,022,585**	**$ 3,879**	**0.4%**
LIABILITIES				
Accounts Payable	$ 1,116	$ 235	$ 881	375.1%
Contract Accruals	$ 3,170	$ 7,120	($ 3,950)	(55.5%)
Accrued Payroll	$ 855	$ 690	$ 165	23.9%
Accrued Workers Compensation	$ 2,395	$ 1,788	$ 606	33.9%
Workers Compensation Actuarial	$ 10,000	$ 6,448	$ 3,552	55.1%
Accrued Annual Leave	$ 1,352	$ 1,311	$ 41	3.1%
Estimated cleanup cost liability	$ 2,890	$ 2,967	($ 76)	(2.6%)
Other Liabilites	$ 1,127	$ 604	$ 524	86.7%
Total Liabilities	**$ 22,906**	**$ 21,163**	**$ 1,743**	**8.2%**

ASSETS

The U.S. Section had total assets of $1,026.46 million at year-end FY 2016, which is $3.88 million more than in FY 2015. The increase is the result of capitalized construction costs from the conclusion of one flood control project and two office building replacement projects. During the period, the Fund Balance with Treasury decreased by $2.80 million, and Construction in Progress increased by $14.67 million. The increase in Construction in Progress is the result of new construction contacts being awarded for flood control, wastewater treatment, and office building improvement projects.

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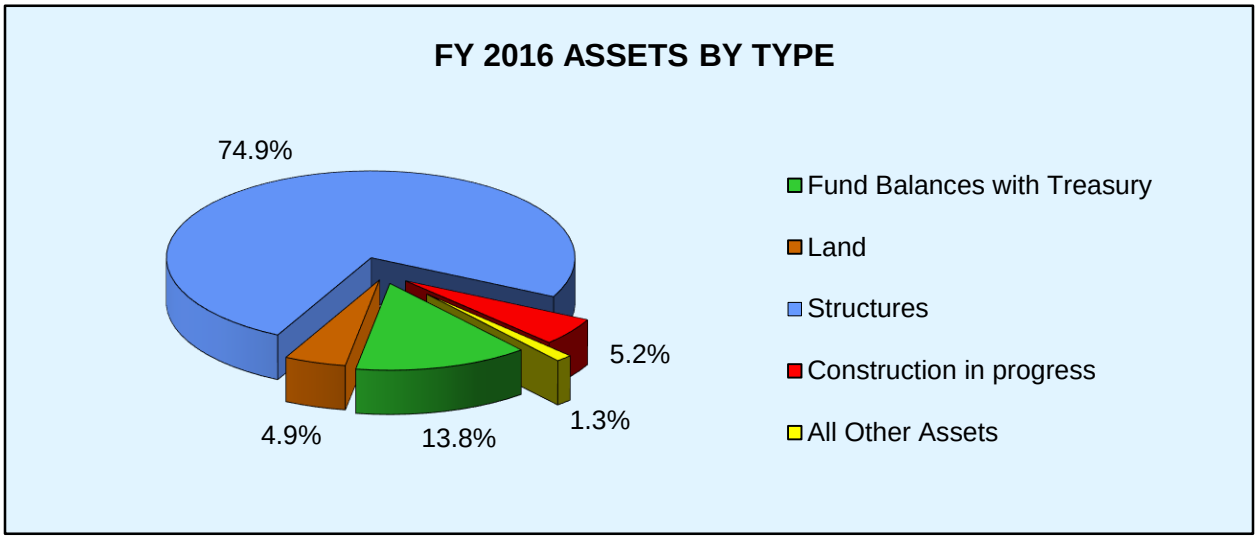


RESULTS OF OPERATIONS

The net results of operations for the U.S. Section are reported in the Consolidated Statement of Net Cost shown below.

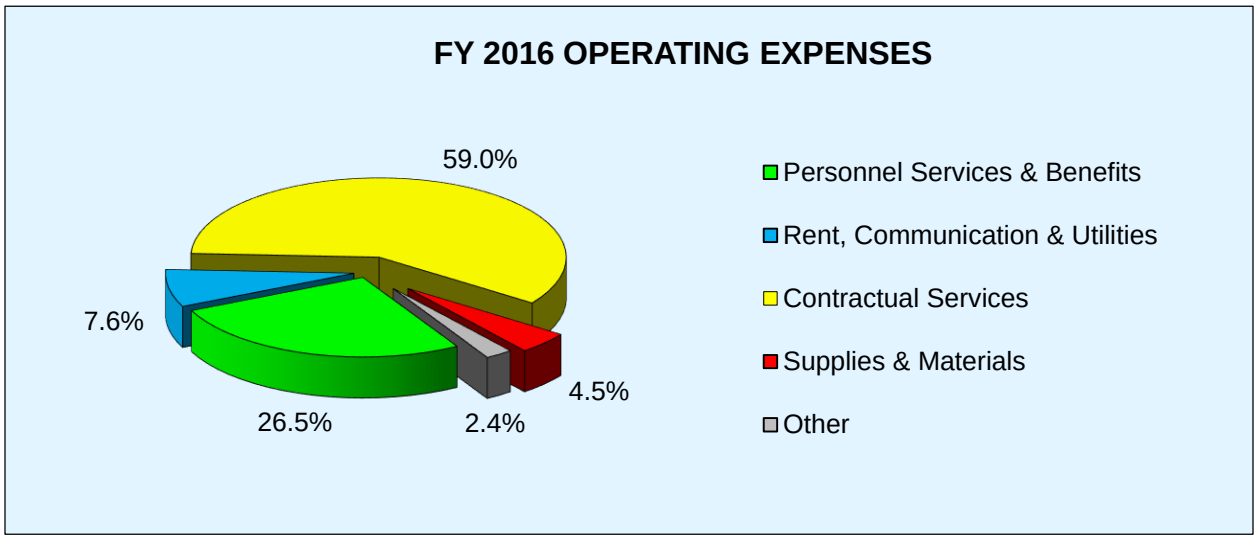
INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 (CY) and 2015 (PY)

	FY 2016 (CY)	FY 2015 (PY)
PROGRAM COSTS		
Operating Expenses	$ 68,849,150.79	$ 76,249,244.67
Operating Expenses, Intragovt.	$ 4,081,536.55	$ 5,410,530.11
Benefits Expenses	$ 5,525,947.94	$ 5,207,863.19
Subtotal	**$ 78,456,635.28**	**$ 86,867,637.97**
Depreciation	$ 25,391,348.32	$ 23,256,621.50
Accrued, Annual Leave	$ 40,920.14	($ 37,184.87)
Workers Compensation	$ 4,157,852.02	$ 2,147,483.55
Accrued Pension Costs	$ 1,598,686.29	$ 1,548,662.82
Capitalized Costs Offset	($ 30,432,952.05)	($ 27,175,586.08)
Interest Expense	$ 2,267.86	$ 19,120.80
Future funded expenses	($ 76,404.83)	($ 1,250,955.99)
Loss on Disposition of Equipment	$ 9,687.59	$ 0.00
Total Program Costs	**$ 79,148,040.62**	**$ 85,375,799.70**
LESS EARNED REVENUE		
Interest and Penalties	($ 21,748.51)	$ 0.00
Surety Payment	$ 0.00	($ 679,639.05)
O&M Wastewater Treatment Plants	($ 2,433,024.16)	($ 4,488,703.95)
Power Plant O&M - DOE	($ 2,471,141.78)	($ 4,694,507.69)
Department of Labor	($ 9,300.00)	$ 0.00
City of Nogales	($ 957,386.92)	$ 0.00
Clean Rivers Project - Texas	($ 213,727.18)	($ 412,605.59)
Other Revenue	$ 24,549.02	$ 0.00
Quarters Rental	($ 137,597.72)	($ 104,131.40)
Leases/Licenses	($ 40,779.12)	($ 22,209.88)
O&M Cordova Bridge	($ 6,000.00)	$ 0.00
Vehicle Maintenance - GSA	($ 32,961.05)	($ 46,444.86)
Morillo Drain O&M - LRGWC	($ 193,641.30)	($ 198,287.26)
O&M Anzalduas Dam Stoplogs	($ 6,463.94)	($ 18,572.19)
Water Bulletins/FOIA/Scrap Metal/Other	($ 10,627.63)	($ 2,665.82)
Other Services Rendered to Mexico	$ 0.00	($ 5,971.61)
Total Earned Revenue	($ 6,509,850.29)	($ 10,673,739.30)
NET COST OF OPERATIONS	**$ 72,638,190.33**	**$ 74,702,060.40**

Below are a table and a graph, summarizing the agency's operating expenses. Operating expenses decreased $8.41 million from $86.87 million in FY 2015 to $78.46 million in FY 2016.

ANNUAL OPERATING EXPENSE DATA
AS OF SEPTEMBER 30, 2016 (CY) AND 2015 (PY)
(Dollars in Thousands)

	FY 2016 (CY)	FY 2015 (PY)	Net Change	Percent Change
ANNUAL OPERATING EXPENSES				
Personnel services & benefits	$ 20,764	$ 20,571	$ 193	0.9%
Travel & transporation costs	$ 977	$ 1,142	($ 165)	(14.4%)
Rent, communication & utilities	$ 5,978	$ 5,787	$ 192	3.3%
Printing & reproduction	$ 17	$ 9	$ 8	92.8%
Contractual services	$ 46,317	$ 53,115	($ 6,798)	(12.8%)
Supplies & materials	$ 3,537	$ 5,702	($ 2,166)	(38.0%)
Grants & miscellaneous	$ 866	$ 541	$ 325	60.0%
Total annual operating expenses	**$ 78,457**	**$ 86,868**	**($ 8,411)**	**(9.7%)**

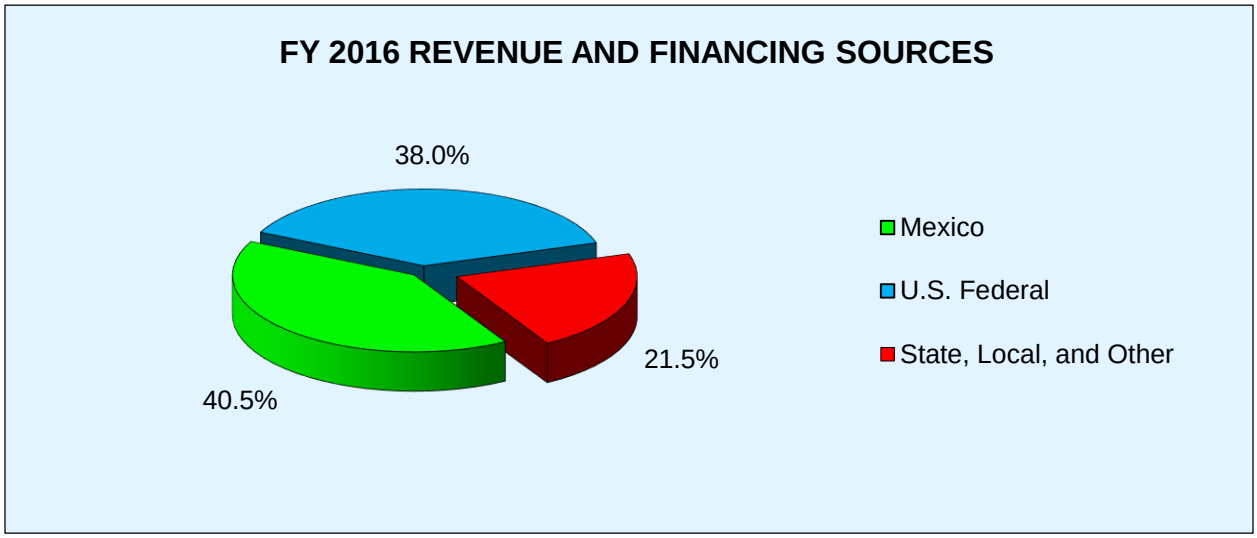


REVENUES AND FINANCING SOURCES

The U.S. Section received $6.51 million in revenues for FY 2016. This was a decrease of $4.16 million versus the FY 2015 revenues of $10.67 million. The Department of Energy contributed $2.47 million in earned revenues for the operation and maintenance of the Amistad and Falcon Hydroelectric Power Plants. The Mexican Section was also a significant contributor of revenue for the U.S. Section. It provided the U.S. Section with $2.64 million for the operation and maintenance of the South Bay and Nogales International Wastewater Treatment Plants, and other joint works. These and other revenues received are summarized below.

REVENUE & FINANCING SOURCES
AS OF SEPTEMBER 30, 2016 (CY) AND 2015 (PY)
(Dollars in Thousands)

	FY 2016 (CY)	FY 2015 (PY)	Net Change	% Change
FINANCING SOURCES				
Dept. of Energy (O&M of Power Plants)	$ 2,471	$ 4,695	($ 2,223)	(47.4%)
Mexico (O&M of SBIWTP)	$ 1,987	$ 1,965	$ 22	1.1%
Mexico (O&M of NIWTP)	$ 446	$ 1,413	($ 967)	(68.4%)
Other Mexico Payments	$ 206	$ 25	$ 182	739.7%
City of Nogales (O&M of NIWTP)	$ 957	$ 1,111	($ 154)	(13.8%)
State of Texas (Clean Rivers Project)	$ 214	$ 413	($ 199)	(48.2%)
Other Sources	$ 228	$ 1,053	($ 825)	(78.3%)
Total financing sources	**$ 6,510**	**$ 10,674**	**($ 4,164)**	**(39.0%)**



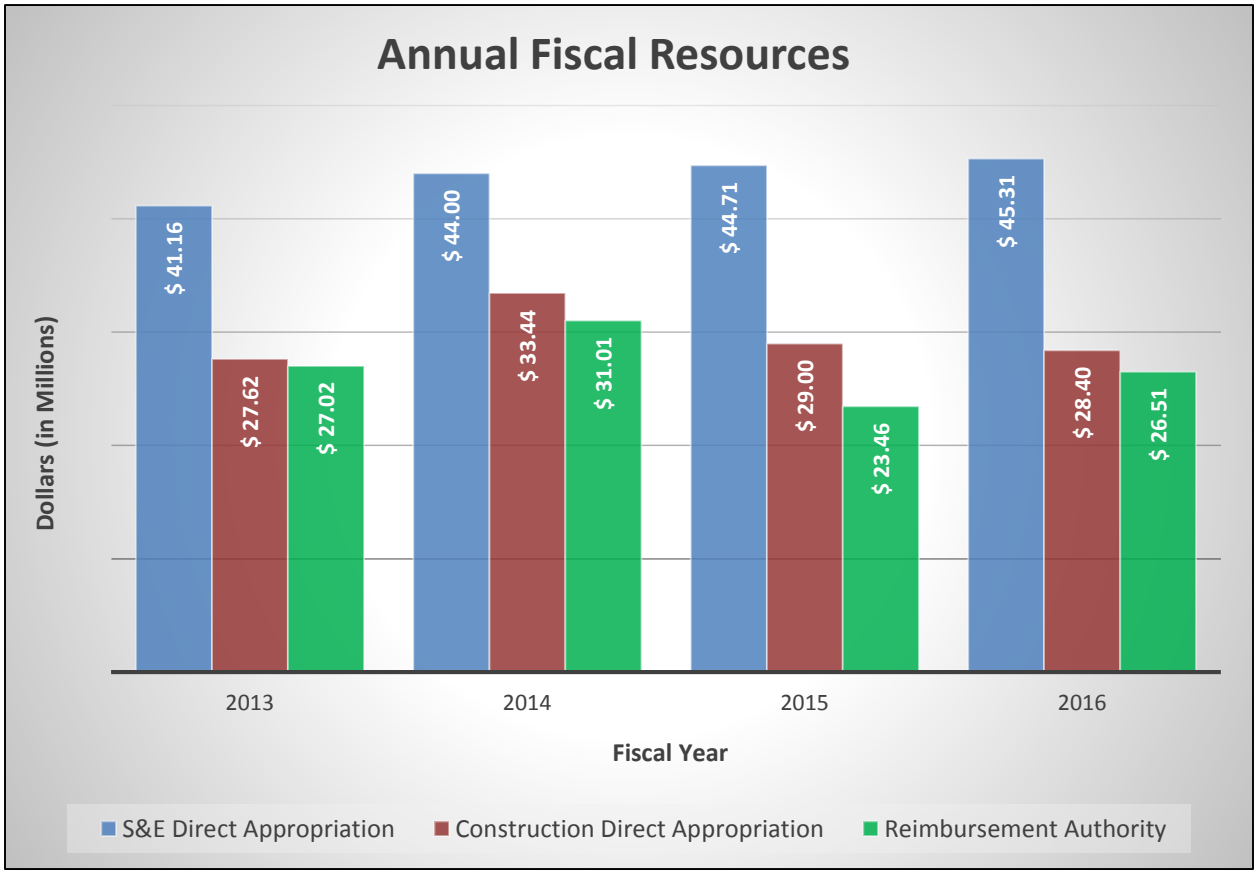
BUDGET INFORMATION

The U.S. Section receives funding for its programs, projects, and initiatives through direct Congressional appropriations and reimbursements from other sources. The agency receives these funds under two separate appropriations – the Salaries and Expenses (S&E) Appropriation and the Construction Appropriation. The S&E and Construction Appropriations consist of direct and indirect funds. Indirect funds, commonly referred to as "reimbursable funds," are provided to the agency to fund requirements of the Mexican Section and other federal, state, and local agencies. Reimbursable funding covers the incremental costs incurred by the U.S. Section to provide the increased level of support services.

Over the previous four years, the total direct and indirect funding provided to the U.S. Section is as follows:[12]

- FY 2013: $ 95.80 Million
- FY 2014: $ 108.45 Million
- FY 2015: $ 97.17 Million
- FY 2016: $ 100.21 Million

The graph below illustrates the various fiscal resources granted to the U.S. Section.



[12] Figures of direct appropriations include applicable rescissions.

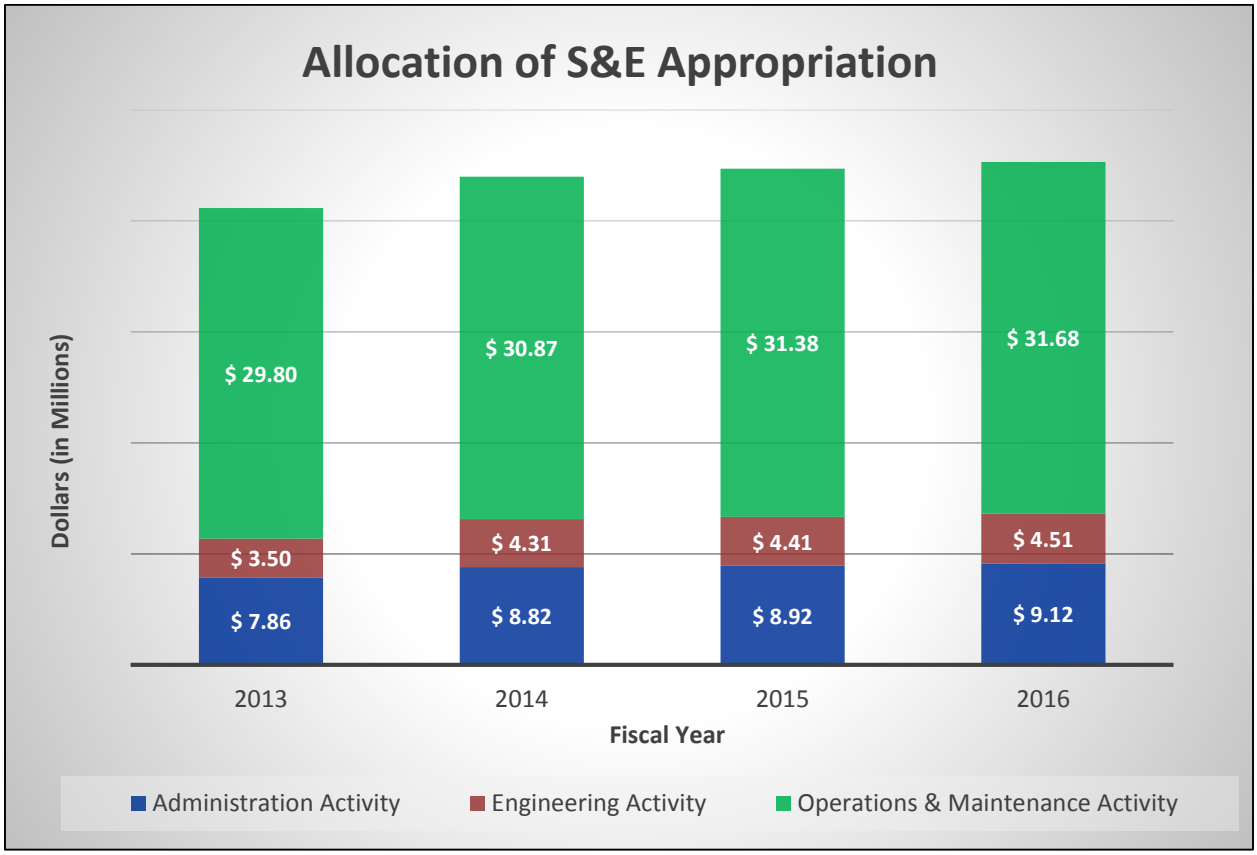
SALARIES AND EXPENSES APPROPRIATION

The U.S. Section's normal operating expenses, including labor, are funded through the S&E Appropriation. The S&E Appropriation is a one-year appropriation provided to fund annual steady-state requirements. This means that unobligated funds cannot be carried forward for use the following fiscal year.

The S&E Appropriation is distributed among three primary agency activities: Administration, Engineering, and Operations. The Commissioner, the Executive Offices, and the Administration Department are all funded within the Administration Activity. The Engineering activity provides the resources for planning and environmental studies, water quality assessments, geotechnical and structural investigations, and engineering studies and designs to meet mission requirements. The Operations Activity funds the resources for operation and maintenance of all agency works and facilities, including water gaging stations, water storage and diversion dams, flood control levees, floodplains and channels, hydroelectric power plants, wastewater treatment plants, and field office facilities.

S&E Direct Appropriation:

- FY 2013: $ 41.16 Million
- FY 2014: $ 44.00 Million
- FY 2015: $ 44.71 Million
- FY 2016: $ 45.31 Million



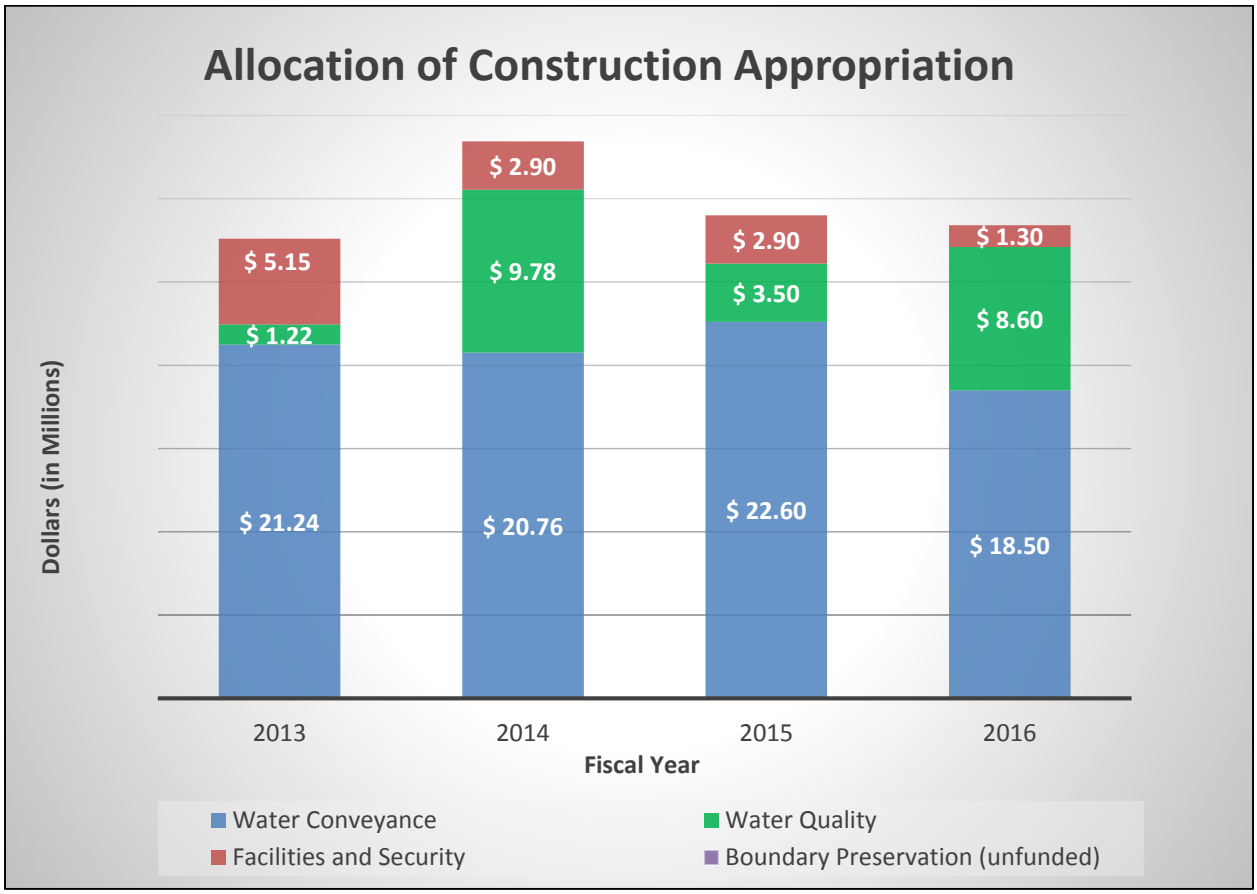
CONSTRUCTION APPROPRIATION

The U.S. Section's major construction or rehabilitation projects are funded by Congress through the Construction Appropriation. This appropriation provides the resources for the agency to provide improvements to land, facilities, and infrastructure.

The Construction Appropriation is a no-year appropriation that is allocated among various capital asset projects that support the agency's four strategic goals: Boundary Preservation, Water Conveyance, Water Quality, and Resource and Asset Management. Some capital asset projects such as *Facilities Renovations, and Critical Infrastructure Protection* support multiple strategic goals. However, other capital asset projects like *Rio Grande Flood Control System Rehabilitation, Safety of Dams, and Secondary Treatment of Tijuana Sewage* apply to only one strategic goal.

Construction Direct Appropriation:

- FY 2013: $ 27.62 Million
- FY 2014: $ 33.44 Million
- FY 2015: $ 29.00 Million
- FY 2016: $ 28.40 Million



REIMBURSEMENT FUNDING

As previously stated, the U.S. Section receives reimbursable funding for services and improvements it provides to Mexico or other domestic governmental entities. Although these reimbursable services and improvements directly support the mission of the funding entity, the U.S. Section also shares an interest in these initiatives. These reimbursable resources are utilized to fund both labor and non-labor requirements. All support and capital generated with reimbursable funds are limited to the extent of the U.S. Section's authority, and the amount received from the funding entity in accordance with the allotment provided by Department of State.

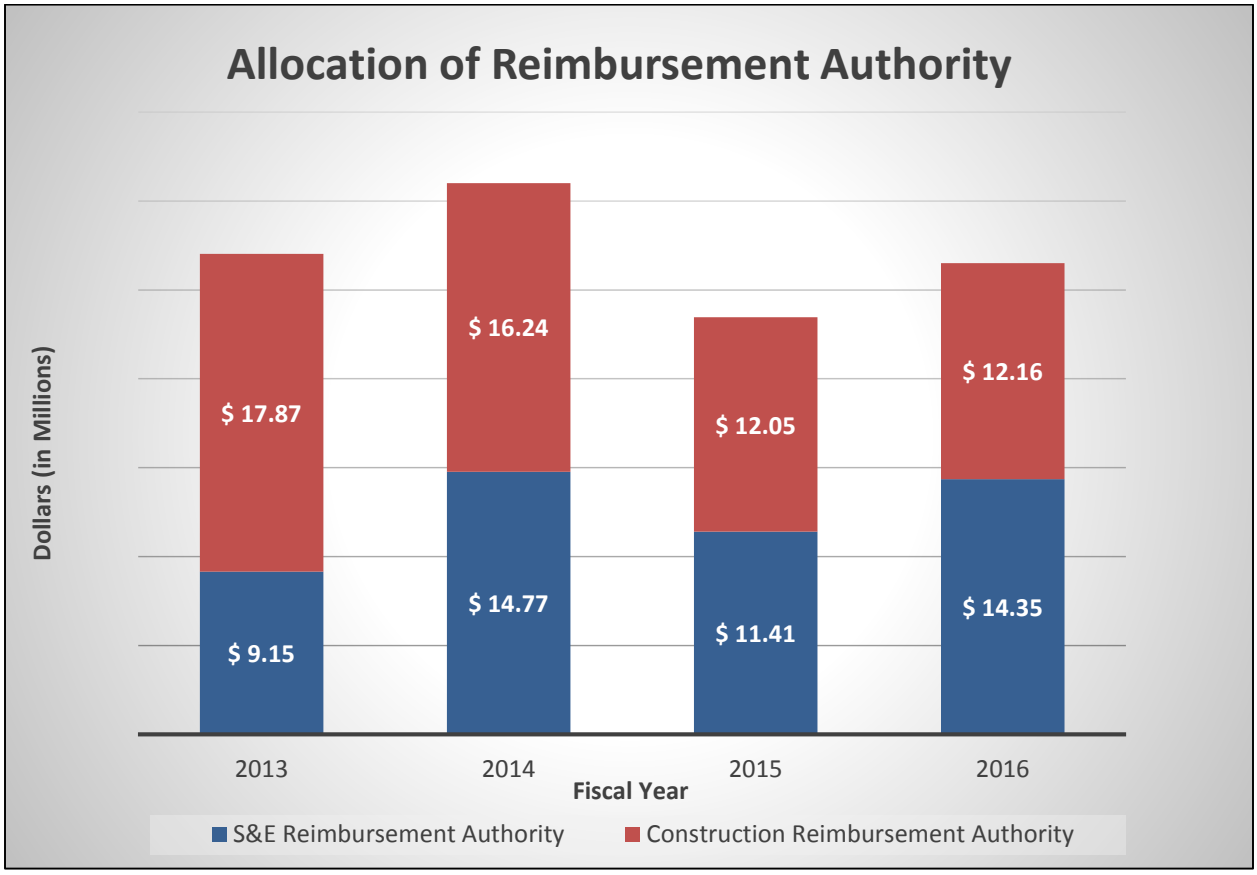
The primary sources of reimbursable funding consist of the following:

- Mexican Section – for purchases and expenses applied to Mexico for operation and maintenance of international wastewater treatment plants, power plants, and dams.
- State of Texas – to sample and assess the water quality of the Rio Grande at established sites under the Texas Clean Rivers Program.
- Western Area Power Administration, U.S. Department of Energy – to operate and maintain the Falcon and Amistad international hydroelectric power plants for the production of power in conjunction with water supply releases at their respective storage dams.
- Department of Homeland Security – to incorporate border security features during construction of flood control levees and floodwalls improvements.

It should be noted that the Reimbursement Authority allotted to the U.S. Section indicates the ceiling of reimbursable funding that may be expended and obligated in a fiscal year. Over the last four years, actual reimbursements have ranged from a low of 31% of the allotted authority in FY 2016, to a high of 45% of the allotted authority in FY 2014. Each fiscal year, reimbursement authority for the U.S. Section must be apportioned by the Office of Management and Budget (OMB) and allocated by the Department of State (DOS).

Reimbursement Authority (Allotment):

- FY 2013: $ 27.02 Million
- FY 2014: $ 31.01 Million
- FY 2015: $ 23.46 Million
- FY 2016: $ 26.51 Million


Allocation of Reimbursement Authority
Dollars (in Millions)
$ 17.87
$ 9.15
$ 16.24
$ 14.77
$ 12.05
$ 11.41
$ 12.16
$ 14.35
2013
2014
2015
2016
Fiscal Year
S&E Reimbursement Authority
Construction Reimbursement Authority

FUNDING AMONG MISSION PROGRAMS

In addition to tracking fiscal resources among the agency's administration, engineering, operations and maintenance, and construction activities, the U.S. Section tracks the utilization of funds against its mission areas. These areas consist of:

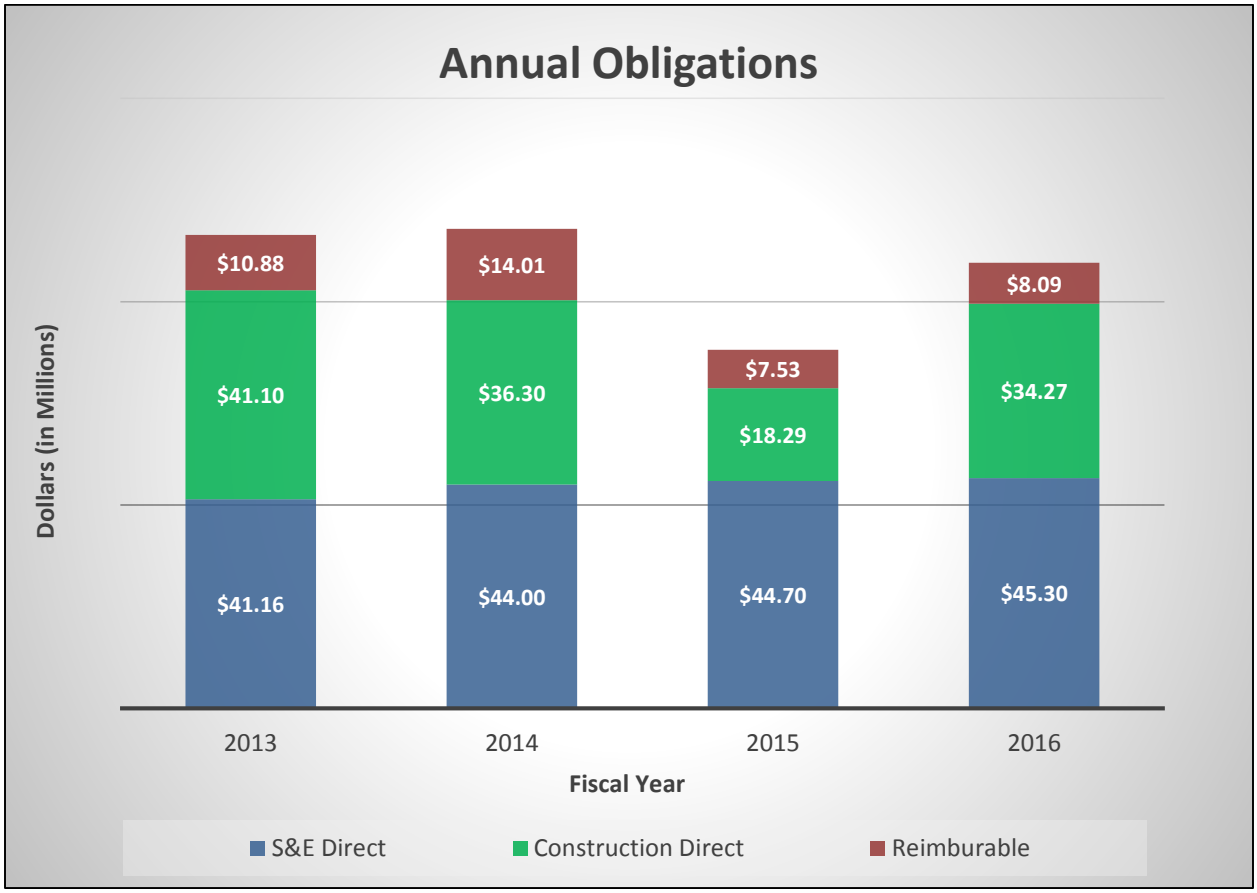
- Strategic Goal 1: Boundary Preservation – Includes activities associated with the preservation and demarcation of the U.S. – Mexico border.
  - Erection, replacement, and/or restoration of monuments, markers, and buoys to demarcate the international boundary.
  - Demarcation of the boundary line at international bridges and ports of entry.
  - Mapping of the Rio Grande, Colorado River, and Western Land boundaries.
- Strategic Goal 2: Water Conveyance – Involves the control, containment, and utilization of the boundary and transboundary river waters.
  - Measurement and accounting of river waters and tributaries, including operations and maintenance of water gaging stations.
  - Operation of diversion and storage dams.
  - Construction and maintenance of flood control works and related water conveyance structures.
  - Operation and maintenance of the hydroelectric power plants to ensure uninterrupted power generation.
  - Construction, renovation, and maintenance of facilities that support "water conveyance" operations.
  - Implementation and maintenance of security improvements including deterrents, controls, and detection systems at key infrastructure and facilities that support "water conveyance" operations.
  - Acquisition and maintenance of heavy mobile equipment and tractor-mowers used in support of "water conveyance" operations.
- Strategic Goal 3: Water Quality – Involves all water quality efforts activities.
  - Water quality monitoring of the Rio Grande, Colorado, and Tijuana Rivers, their tributaries, and the Pacific Ocean coastal waters.
  - Construction, operation and maintenance of wastewater treatment facilities and associated infrastructure.
  - Construction, renovation, and maintenance of facilities that support "water quality" operations.
  - Implementation and maintenance of security improvements including deterrents, controls, and detection systems at key infrastructure and facilities that support "water quality" operations.
  - Acquisition and maintenance of heavy mobile equipment and shop equipment used in support of "water quality" operations.
- Strategic Goal 4: Resource and Asset Management – Entails the strategic management of assets and human and fiscal resources to support agency functions and ensure compliance with all mandatory requirements.
  - Maintenance of headquarters facilities, including general equipment and support systems.

- Operations and maintenance of land and mobile radio communication systems, financial systems, information technology computer systems, etc.
- Development and maintenance of the enterprise geographic information system.
- Execution of stakeholder outreach, foreign affairs, and administrative support functions.

Utilization of fiscal resources is tracked through obligations. An obligation is a binding commitment made by an agency official, which creates a legal liability of the Government for the payment of funds for goods and services ordered or received. Representations of the agency's annual obligations, by direct and reimbursable funding sources, incurred among their respective strategic goals are displayed below for the last four fiscal years.

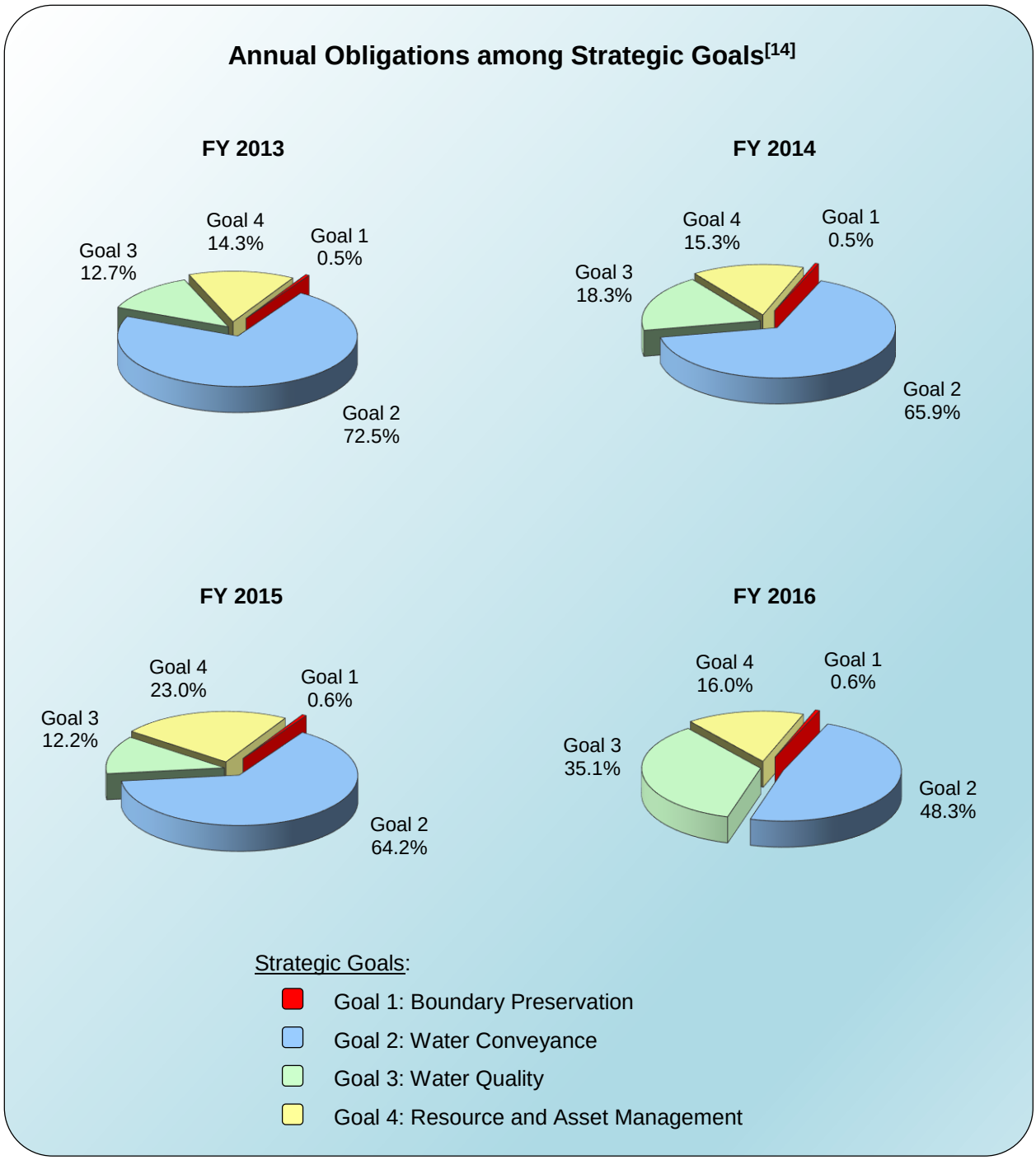
Total Annual Obligations[13]:

- FY 2013: $93.14 Million
- FY 2014: $94.31 Million
- FY 2015: $70.52 Million
- FY 2016: $87.66 Million



[13] As reported on SF 133, "Report on Budget Execution and Budgetary Resources" FY 2013, FY 2014, FY 2015, and FY 2016.

The graphs below illustrate the application and redistribution of annual fiscal resources among the agency's Strategic Goals to meet mission requirements over the last four years. Flood control system improvements and the replacement of the American Canal account for the significant amount of resources allocated to Goal 2 from FY 2013 to FY 2015. Construction of compliance upgrades at the SBIWTP account for the increase to Goal 3 in FY 2016.



[14] Graphs reflect corrections made to account for miscoded obligations associated with the design and construction of the SBIWTP administration building in FY 2013, FY 2014, FY 2015, and FY 2016.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP 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.

< < < End of Section 1: *Management's Discussion and Analysis* > > >

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FINANCIAL SECTION

INDEPENDENT FINANCIAL AUDIT

The U.S. Section contracted with the independent certified public accounting firm of Kearney and Company, P. C. (Kearney) to audit the agency's financial statements for the years ending as of September 30, 2016 and 2015 in accordance with generally accepted federal government auditing standards, Office of Management and Budget audit guidance, and the Financial Audit Manual issued by the Government Accountability Office and the President's Council on Integrity and Efficiency. Kearney was charged with assessing the agency's internal control pertaining to compliance with federal financial laws, regulations and reporting.

Included below is the following documentation associated with the independent financial audit for FY 2016:

- Statement of Assurance Letter dated September 15, 2016, which provides reasonable assurance for the effective management of internal control, from the U.S. Commissioner to the U.S. Secretary of State.
- Transmittal letter dated January 31, 2017 from the Inspector General to the U.S. Commissioner accompanying the Final Audit Reports itemized below;
- Final Independent Audit Reports on:
  - Financial Statements dated December 19, 2016;
  - Internal Control on Financial Reporting dated December 19, 2016;
  - Compliance with Applicable Provisions of Laws, Regulations and Contracts dated December 19, 2016;
- Letter responding to the audit finding recommendations from the U.S. Commissioner to the Assistant Inspector General for Audits dated January 17, 2017.

STATEMENT OF ASSURANCE

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

September 15, 2016

The Honorable John F. Kerry
Secretary of State
Washington, D.C. 20520

Dear Mr. Secretary:

As Commissioner of the International Boundary and Water Commission (IBWC), I am cognizant of the importance of management controls. I have taken the necessary measures to assure that an evaluation of the systems of management control of IBWC was conducted in a conscientious and thorough manner, in accordance with the requirements of *2 FAM 020*, to determine whether our systems of management control comply with the standards prescribed by the Comptroller General of the United States.

The systems of management control of the Department of State (Department) are to provide reasonable assurance that the operations, reporting, and compliance objectives of the Department are being achieved.

- Operations objectives include operations being effective and efficient and relate to program operations that achieve the Department's mission;
- Reporting objectives include internal and external reporting being reliable and relate to the preparation of reports for use by the Department, its stakeholders, or other external parties; and
- Compliance objectives include meeting compliance requirements of the Department's applicable laws and regulations.

I have reviewed the results of internal management reviews performed, Government Accountability Office audit and Office of Inspector General audit/inspection reports, risk assessments, and other pertinent reviews performed in accordance with Departmental instructions and other relevant criteria, as well as the actions taken to correct identified weaknesses, if any. The results of this evaluation indicate that the systems of management control of IBWC in effect during the period October 1, 2015, through August 31, 2016, taken as a whole, provide reasonable assurance that the referenced management control objectives were achieved.

I, as Commissioner of the IBWC, have effectively communicated to the IBWC employees the importance of ethical behavior and appropriate business practices verbally, as well as through other sources (e.g., written memorandums, Department policies and regulations, topic related websites, and training courses).

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I have taken into consideration all of the questions relating to Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*. I am fully aware of the risk of fraud within the IBWC, including any fraud risk the Department or others have identified or account balances or transactions that may be susceptible to fraud. Programs and controls within the IBWC have been implemented to address identified fraud risks or otherwise help to deter and detect fraud, and are monitored on a continuous basis. Through this Statement of Assurance letter, I report to the Secretary, to the best of my knowledge, that I am not aware of any material[1] amounts of potential or actual fraud or suspected fraud affecting the IBWC.

In accordance with the requirements outlined in the Department's Quadrennial Diplomacy and Development Review (QDDR), I certify that program planning and oversight is adequate for every service contract with expected annual expenditures of $25 million or more. Additionally, I have reviewed implementation plans and oversight arrangements for these contracts and have judged the oversight to be sufficient.

I am aware of the requirements for ensuring that adequate controls are in place over the IBWC's real and personal property. I attest that personal property assets, including capitalized assets, at IBWC have been inventoried during FY 2016, reconciled, certified and reported to the Chief Administrative Officer, since IBWC does not report to A/LM/PMP/PM. Also, complete reports of assets including construction in progress (CIP) details have been submitted to CGFS's Office of Financial Policy, Reporting and Analysis (CGFS/FPRA) on a quarterly basis; in addition, schedules of inspections and maintenance activities have also been provided as part of that routine.

I am aware that management is also responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets, obligations and costs complying with applicable laws and regulations, and revenues and expenditures being recorded accurately. The IBWC conducted its assessment of the effectiveness of the IBWC's internal control over financial reporting in accordance with Appendix A of OMB Circular A-123, Management's Responsibility for Internal Control.

Based on the results of this assessment, the IBWC can provide reasonable assurance that its internal control over financial reporting as of June 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Sincerely yours,

Edward Drusina, P.E.
Commissioner

Enclosure(s):
As stated

[1] Material items are defined as individual fraudulent matters which are above $10,000, and or collective fraudulent matters above $20,000. See section F, page 8 of the Guidance for the FY 2016 Statement of Assurance Process document dated July 7, for further information.

TRANSMITTAL OF AUDIT REPORT

OIG Office of Inspector General
U.S. Department of State • Broadcasting Board of Governors

JAN 31 2017

The Honorable Edward Drusina, U.S. Commissioner
International Boundary and Water Commission
United States and Mexico, U.S. Section
4171 North Mesa Street, Suite C-100
El Paso, TX 79902-1441

Dear Commissioner Drusina:

An independent certified public accounting firm, Kearney & Company, P.C., was engaged to audit the consolidated financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) as of September 30, 2016 and 2015, and for the years then ended; to provide a report on internal control over financial reporting; and to report any reportable noncompliance with laws, regulations, and contracts it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance. In its *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2016 and 2015 Financial Statements* (AUD-FM-17-12), Kearney & Company found:

- The consolidated financial statements present fairly, in all material respects, the financial position of USIBWC as of September 30, 2016 and 2015, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.
- No material weaknesses[1] in internal control over financial reporting.
- Two significant deficiencies[2] in internal control over the manual preparation of the Statement of Budgetary Resources and information technology.
- No instances of reportable noncompliance with laws, regulations, and contracts tested.

[1] A material weakness is a deficiency or 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.

[2] A significant deficiency is a deficiency, or 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.

U.S. Department of State, Office of Inspector General, Washington, DC 20520-0308

Kearney & Company is responsible for the enclosed auditor's report, which includes the Independent Auditor's Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance With Laws, Regulations, and Contracts, dated December 19, 2016, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on USIBWC's consolidated financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, and contracts.

USIBWC's comments on the auditor's report are attached to the report.

OIG appreciates the cooperation extended to it and Kearney & Company by USIBWC managers and staff during this audit.

Sincerely,

For Gayle Voshell

Norman P. Brown
Assistant Inspector General
for Audits

Enclosure: As stated.

cc: WHA/MEX – Russell L. Frisbie
Kearney & Company, P.C. – Kelly E. Gorrell

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FINANCIAL STATEMENTS AUDIT

KEARNEY & COMPANY

1701 Duke Street, Suite 500, Alexandria, VA 22314
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INDEPENDENT AUDITOR'S REPORT
AUD-FM-17-12

To the United States Commissioner and the Inspector General of the International Boundary and Water Commission, United States and Mexico, U.S. Section

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, 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 (hereinafter referred to as 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. 15-02, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 15-02 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate under 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 financial statements.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USIBWC as of September 30, 2016 and 2015, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Deferred Maintenance and Repair section, which includes the condition assessments of Heritage Assets, and the Combining Statement of Budgetary Resources (hereinafter referred to as "required supplementary information") be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by OMB Circular A-136, "Financial Reporting Requirements," and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the 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 it for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated December 19, 2016, on our consideration of USIBWC's internal control over financial reporting and on our tests of USIBWC's compliance with certain provisions of laws, regulations, and contracts for the year ended September 30, 2016. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the

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results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
December 19, 2016

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INTERNAL CONTROL AUDIT

KEARNEY & COMPANY

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PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the United States Commissioner and the Inspector General of the International Boundary and Water Commission, United States and Mexico, U.S. Section

We have audited the consolidated financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of and for the year ended September 30, 2016, and have issued our report thereon, dated December 19, 2016. We conducted our audit 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. 15-02, "Audit Requirements for Federal Financial Statements."

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered USIBWC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate under 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 USIBWC's internal control. Accordingly, we do not express an opinion on the effectiveness of USIBWC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

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 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.

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. 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.

Our audit was also not designed to identify deficiencies in internal control that might be significant. 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. We consider the following deficiencies in USIBWC's internal control to be significant deficiencies.

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Significant Deficiencies

I. Manual Preparation of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) is derived predominantly from an entity's budgetary general ledger in accordance with budgetary accounting rules. Information on the SBR should reconcile to budget execution information reported to the Department of the Treasury (Treasury) on Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, and with information reported in the Budget of the U.S. Government to ensure the integrity of the information presented. Agencies must submit their financial information, including budgetary data, to the Treasury using the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

We found variances between certain information in USIBWC's proprietary accounts,[1] GTAS submissions, and Treasury activity reports, which led to misstatements in USIBWC's draft SBR. This occurred because USIBWC manually calculated and adjusted certain budgetary balances in GTAS, which USIBWC used to create the SBR. When manually performing an analysis to calculate its adjusted budgetary amounts, USIBWC did not consider all budgetary accounts and activity that affects the SBR, causing the misstatements. Further, USIBWC did not implement sufficient controls for recording adjustments to budgetary balances. For example, manual adjustments were made without proper supporting documentation, documented quality control, or supervisory review process. Additionally, USIBWC did not perform adequate reconciliations of budgetary to proprietary account balances to identify reconciling amounts, which could potentially be indicative of misstatements in its accounts and financial statements.

USIBWC recorded significant adjustments to the SBR as a result of audit procedures performed. The manual nature of the process USIBWC used to compile its SBR presented a risk that human error could occur and go undetected. Control deficiencies relating to the preparation of the SBR were not identified during our prior audits of USIBWC.

II. Information Technology

USIBWC uses key information systems maintained by the U.S. Department of State (Department), including the general support systems and applications for accounting, budget execution, procurement, and logistics. The Department is responsible for maintaining an adequate information security program over these systems. The Department's general support system, a component of its information security program, is the gateway for all the Department's systems, including the key financial management systems used by USIBWC. Generally, control deficiencies noted in the information security program are inherited by the systems that reside in it. USIBWC's sensitive information relies on the confidentiality, integrity, and availability of the Department's comprehensive and interconnected infrastructure.

[1] In contrast to budgetary accounts, proprietary accounts show the actual financial position of an organization, such as assets and liabilities. Certain proprietary accounts have a direct correlation to certain budgetary accounts.

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In accordance with the Federal Information Security Modernization Act of 2014 (FISMA), the Office of Inspector General (OIG) is responsible for the audit of the Department's information security program. In the FY 2016 FISMA report,[2] OIG reported security weaknesses that significantly impacted the Department's information security program. Specifically, OIG reported weaknesses in all eight key FY 2016 Inspector General FISMA metric domains, which consist of risk management, contractor systems, configuration management, identity and access management, security and privacy training, information security continuous monitoring, incident response, and contingency planning. The Department did not have an effective information security program because the Department had not fully developed and implemented an organization-wide risk management strategy to identify, assess, respond to, and monitor information security risk at all levels of the organization.

Without an effective information security program, the Department is vulnerable to IT-centered attacks and threats. Information security program weaknesses can affect the integrity of financial applications, which increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be altered either accidentally or intentionally. Information security program weaknesses within the Department, increase the risk that USIBWC will be unable to report financial data accurately.

The weaknesses reported by OIG as a result of the FISMA audit are considered to be a significant deficiency within the scope of our audit of USIBWC's financial statements. We have reported weaknesses in IT security controls as a significant deficiency since our audit USIBWC's FY 2012 financial statements.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to USIBWC management in a separate letter.

USIBWC's Response to Findings

USIBWC management has provided its response to our findings in a separate memorandum attached to this report. We did not audit management's response, and accordingly, we express no opinion on it.

[2] OIG, *Audit of the Department of State Information Security Program* (AUD-IT-17-17, November 2016).

KEARNEY & COMPANY

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the effectiveness of USIBWC's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02 in considering the entity's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
December 19, 2016

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COMPLIANCE AUDIT

KEARNEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACTS

To the United States Commissioner and the Inspector General of the International Boundary and Water Commission, United States and Mexico, U.S. Section

We have audited the consolidated financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of and for the year ended September 30, 2016, and have issued our report thereon, dated December 19, 2016. We conducted our audit 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. 15-02, "Audit Requirements for Federal Financial Statements."

Compliance

As part of obtaining reasonable assurance about whether USIBWC's consolidated financial statements are free from material misstatement, we performed tests of USIBWC's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

During the audit, we noted certain additional matters involving compliance that we will report to USIBWC's management in a separate letter.

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 effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Bulletin No. 15-02 in considering the entity's compliance. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
December 19, 2016

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RESPONSE TO AUDIT FINDINGS

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

January 17, 2017

Mr. Norman P. Brown
United States Department of State
Assistant Inspector General of Audits
Office of Inspector General
Washington, D. C. 20520

Subject: Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2016 and 2015 Financial Statements

Dear Mr. Brown

We are in receipt and thank you for the opportunity to review and comment on the draft report Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2016 and 2015 Financial Statements. Attached please find our responses and planned actions on the deficiencies noted in the draft report. Please advise if you have any questions or if we may be of any assistance.

Sincerely,

Edward Drusina, P.E.
Commissioner

The Commons, Building C, Suite 100 • 4171 N. Mesa Street • El Paso, Texas 79902-1441
(915) 832-4100 • Fax: (915) 832-4190 • http://www.ibwc.gov

INTERNATIONAL BOUNDARY AND WATER COMMISSION

UNITED STATES AND MEXICO

OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2016 and 2015 Financial Statements

Significant Deficiencies

I. Manual Preparation of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) is derived predominantly from an entity's budgetary general ledger in accordance with budgetary accounting rules. Information on the SBR should reconcile to budget execution information reported to the Department of the Treasury (Treasury) on Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, and with information reported in the Budget of the U.S. Government to ensure the integrity of the information presented. Agencies must submit their financial information, including budgetary data, to the Treasury using the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

USIBWC Comments: USIBWC Management understands the importance of accurate reporting and the need to reconcile and balance between the SBR, budget execution information reported on the SF 133, and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented. Greater focus, controls and oversight will be placed on reconciliations of all Agency Treasury accounts to GFMS. Additionally, required controls reviews and supervisory approvals are being implemented of reconciliations of all proprietary and budgetary financial data and accounts as recommended. In the interim, management will ensure that a reliable and tested manual process is followed to ensure that all manual budgetary account adjustments are based on a complete analysis of all relevant budgetary accounts and events, sufficiently documented, and subject to quality control and supervisory reviews, and that all budgetary-to-proprietary reconciliation variances identified are timely and accurately resolved. We will reach out to Department of State financial managers for assistance in determining actions required to ensure GFMS produces the required system generated financial reports to meet monthly, quarterly, and annual Treasury financial reporting (GTAS, financial statements, trial balances, SBR, etc.). Currently, the manual process is necessary in the absence of system generated reports. Management acknowledges that manual processes introduce unnecessary risk when recalculating or rekeying of financial data. However, will attempt to mitigate as much of the risk via compensating controls as specified above.

II. Information Technology

USIBWC uses key information systems maintained by the U.S. Department of State

(Department), including the general support systems and applications for accounting, budget execution, procurement, and logistics. The Department is responsible for maintaining an adequate information security program over these systems. The Department's general support system, a component of its information security program, is the gateway for all the Department's systems, including the key financial management systems used by USIBWC. Generally, control deficiencies noted in the information security program are inherited by the systems that reside in it. USIBWC's sensitive information relies on the confidentiality, integrity, and availability of the Department's comprehensive and interconnected infrastructure.

USIBWC Comments: USIBWC Management is fully aware of the inherit risk associated with the use of the Department's financial systems accessed via the Global OpenNet (GO) portal. Consistent with actions being taken this FY to mitigate financial reporting weaknesses, more frequent and more in-depth reviews and reconciliations will continue to be implemented in the divisions that rely on financial, contracting, asset management systems to perform their respective missions, in an effort to attempt to mitigate some of the associated risks.

PRINCIPAL FINANCIAL STATEMENTS

The *Principal Financial Statements* have been prepared to report the financial position and results of operations of the International Boundary and Water Commission, U.S. Section. The Financial Statements have been prepared from the books and records of the U.S. Section in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, Financial Reporting Requirements. The Financial Statements are in addition to financial reports prepared by the U.S. Section in accordance with OMB and U.S. Department of Treasury directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Financial Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The U.S. Section has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. The Financial Statements present data for FY 2016 and FY 2015 in comparative formats.

The *Consolidated Balance Sheet* provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. The Balance Sheet presents amounts of future benefits owned or managed (assets), amounts owed (liabilities), and amounts that comprise the difference (net position). Intra-Governmental balances have been identified and will be eliminated when consolidated with the department-wide statements prepared by the Department of State.

The *Consolidated Statement of Net Cost* reports the components of net costs of the U.S. Section's operations for the period. Net cost of operations is the gross cost incurred by the Agency less any exchange revenue earned from its activities.

The *Consolidated Statement of Changes in Net Position* reports the beginning net position, the transactions that affect net position for the period, and the ending net position. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations.

The *Combined Statement of Budgetary Resource*s provides information on how budgetary resources were made available and their status at the end of the year. It is the only financial statement predominantly derived from the U.S. Section's budgetary general ledger in accordance with budgetary accounting rules. Information on the Statement of Budgetary Resources is consistent with the budget execution information reported on the Report on Budget Execution and Budgetary Resources (SF133).

BALANCE SHEET

INTERNATIONAL BOUNDARY AND WATER COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 (CY) AND 2015 (PY)

	FY 2016 (CY)	FY 2015 (PY)
ASSETS		
Intragovernmental:		
Fund balance with treasury (Note 2)	$ 141,396,819.61	$ 144,194,178.36
Accounts receivable, net (Note 3)	$ 187,762.65	$ 215,669.90
Total Intragovernmental	$ 141,584,582.26	$ 144,409,848.26
Cash and other monetary assets	$ 0.00	$ 0.00
Accounts receivable, net (Note 3)	$ 5,898,192.25	$ 6,103,166.86
Advances	$ 1,994.00	$ 2,099.33
Property, plant, and equipment, net (Note 4)	$ 878,979,596.52	$ 872,070,507.40
Total assets	**$ 1,026,464,365.03**	**$ 1,022,585,621.85**
LIABILITIES		
Intragovernmental:		
Accounts payable	$ 0.00	$ 0.00
Accrued payroll	$ 207,100.00	$ 176,950.00
Accrued workers compensation (Note 6)	$ 2,394,573.35	$ 1,788,437.16
Workers compensation actuarial (Note 6)	$ 10,000,000.00	$ 6,448,284.17
Contract accruals	$ 50,000.00	$ 626,805.00
Total intragovernmental	$ 12,651,673.35	$ 9,040,476.33
Accounts payable	$ 1,116,084.87	$ 234,940.44
Contract accruals	$ 3,119,907.49	$ 6,493,086.68
Accrued payroll	$ 648,250.00	$ 513,350.00
Accrued annual leave	$ 1,352,094.38	$ 1,311,174.24
Advances	$ 305,786.51	$ 304,016.96
Deposit accounts	$ 594.45	($ 128,228.59)
Estimated cleanup cost liability (Note 7)	$ 2,890,401.24	$ 2,966,806.07
Contingent liabilities	$ 821,096.87	$ 428,000.00
Total liabilities	**$ 22,905,889.16**	**$ 21,163,622.13**
NET POSITION		
Unexpended appropriations - all other funds	$ 157,085,595.23	$ 152,891,155.39
Cumulative results of operations - all other funds	$ 846,472,880.64	$ 848,530,844.33
Total net position	**$ 1,003,558,475.87**	**$ 1,001,421,999.72**
Total liabilities & net position	**$ 1,026,464,365.03**	**$ 1,022,585,621.85**

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

STATEMENT OF NET COST

INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 (CY) AND 2015 (PY)

Strategic Goal	FY 2016 (CY)	FY 2015 (PY)
Boundary Preservation		
Total cost	$ 625,797.48	$ 530,969.92
Earned revenue	($ 178,376.84)	$ 0.00
Net program cost	$ 447,420.64	$ 530,969.92
Water Conveyance Operations		
Total cost	$ 48,686,133.76	$ 50,522,282.75
Earned revenue	($ 2,691,792.82)	($ 5,769,763.94)
Net program cost	$ 45,994,340.94	$ 44,752,518.81
Water Quality Management		
Total cost	$ 13,776,219.92	$ 17,891,423.85
Earned revenue	($ 3,604,138.26)	($ 4,901,309.54)
Net program cost	$ 10,172,081.66	$ 12,990,114.31
Resource & Asset Management		
Total cost	$ 16,059,889.46	$ 16,431,123.18
Earned revenue	($ 35,542.37)	($ 2,665.82)
Net program cost	$ 16,024,347.09	$ 16,428,457.36
Net cost of operations	**$ 72,638,190.33**	**$ 74,702,060.40**

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

STATEMENT OF CHANGES IN NET POSITION (CY)

INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016 (CY)

	Funds from Dedicated Collections FY 2016 (CY)	All Other Funds FY 2016 (CY)	Eliminations FY 2016 (CY)	Consolidated Total FY 2016 (CY)
Cumulative Results of Operations:				
Beginning balances	$ 0.00	$ 848,530,844.33	$ 0.00	$ 848,530,844.33
Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Beginning balances, adjusted	$ 0.00	$ 848,530,844.33	$ 0.00	$ 848,530,844.33
Budgetary Financing Sources:				
Other adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Appropriations used	$ 0.00	$ 69,146,347.34	$ 0.00	$ 69,146,347.34
Non-Exchange revenue	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Transfers in/out	$ 0.00	($ 164,807.02)	$ 0.00	($ 164,807.02)
Other Financing Sources (Non-Exchange):				
Donations of property	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Imputed financing	$ 0.00	$ 1,598,686.29	$ 0.00	$ 1,598,686.29
Net cost of operations	$ 0.00	($ 72,638,190.30)	$ 0.00	($ 72,638,190.30)
Net change	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Cumulative Results of Operations	**$ 0.00**	**$ 846,472,880.64**	**$ 0.00**	**$ 846,472,880.64**
Unexpended Appropriations:				
Beginning balance	$ 0.00	$ 152,891,155.39	$ 0.00	$ 152,891,155.39
Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Beginning balance, adjusted	$ 0.00	$ 152,891,155.39	$ 0.00	$ 152,891,155.39
Budgetary Financing Sources:				
Appropriations received	$ 0.00	$ 73,707,000.00	$ 0.00	$ 73,707,000.00
Other adjustments	$ 0.00	($ 366,212.82)	$ 0.00	($ 366,212.82)
Appropriations used	$ 0.00	($ 69,146,347.34)	$ 0.00	($ 69,146,347.34)
Total budgetary financing sources	$ 0.00	$ 4,194,439.84	$ 0.00	$ 4,194,439.84
Total Unexpended Appropriations	**$ 0.00**	**$ 157,085,595.23**	**$ 0.00**	**$ 157,085,595.23**
Net Position	**$ 0.00**	**$ 1,003,558,475.87**	**$ 0.00**	**$ 1,003,558,475.87**

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

STATEMENT OF CHANGES IN NET POSITION (PY)

INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015 (PY)

	Funds from Dedicated Collections FY 2015 (PY)	All Other Funds FY 2015 (PY)	Eliminations FY 2015 (PY)	Consolidated Total FY 2015 (PY)
Cumulative Results of Operations:				
Beginning balances	$ 0.00	$ 843,998,463.28	$ 0.00	$ 843,998,463.28
Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Beginning balances, adjusted	$ 0.00	$ 843,998,463.28	$ 0.00	$ 843,998,463.28
Budgetary Financing Sources:				
Other adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Appropriations used	$ 0.00	$ 77,743,103.75	$ 0.00	$ 77,743,103.75
Non-Exchange revenue	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Transfers in/out	$ 0.00	($ 57,325.11)	$ 0.00	($ 57,325.11)
Other Financing Sources (Non-Exchange):				
Donations of property	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Imputed financing	$ 0.00	$ 1,548,662.82	$ 0.00	$ 1,548,662.82
Net cost of operations	$ 0.00	($ 74,702,060.40)	$ 0.00	($ 74,702,060.40)
Net change	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Cumulative Results of Operations	**$ 0.00**	**$ 848,530,844.34**	**$ 0.00**	**$ 848,530,844.34**
Unexpended Appropriations:				
Beginning balance	$ 0.00	$ 158,096,673.20	$ 0.00	$ 158,096,673.20
Adjustments	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Beginning balance, adjusted	$ 0.00	$ 158,096,673.20	$ 0.00	$ 158,096,673.20
Budgetary Financing Sources:				
Appropriations received	$ 0.00	$ 73,707,000.00	$ 0.00	$ 73,707,000.00
Other adjustments	$ 0.00	($ 1,169,414.07)	$ 0.00	($ 1,169,414.07)
Appropriations used	$ 0.00	($ 77,743,103.74)	$ 0.00	($ 77,743,103.74)
Total budgetary financing sources	$ 0.00	($ 5,205,517.81)	$ 0.00	($ 5,205,517.81)
Total Unexpended Appropriations	**$ 0.00**	**$ 152,891,155.39**	**$ 0.00**	**$ 152,891,155.39**
Net Position	**$ 0.00**	**$ 1,001,421,999.73**	**$ 0.00**	**$ 1,001,421,999.73**

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

STATEMENT OF BUDGETARY RESOURCES

INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF BUDGETARY RESOURCES
AS OF SEPTEMBER 30, 2016 (CY) and 2015 (PY)

		Budgetary 2016 (CY)	Non-Budgetary 2016 (CY)	Budgetary 2015 (PY)	Non-Budgetary 2015 (PY)
BUDGETARY RESOURCES:					
1000	Unoblig Bal Brought Fwd	$ 90,361,864.72	$ 0.00	$ 67,210,651.64	$ 0.00
1020	Adj To Unoblig Bal Brought Fwd	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1020.5	Unoblig Bal Fwd, Adjusted	$ 90,361,864.72	$ 0.00	$ 67,210,651.64	$ 0.00
1021	Recoveries of Prior Yr Unpaid Oblig'ns	$ 5,477,691.57	$ 0.00	$ 16,144,196.42	$ 0.00
1043	Other Chgs in Unoblig Balances	$ 418,652.10	$ 0.00	($ 1,169,414.07)	$ 0.00
1051	Unoblig Balance PY Budget Auth	$ 96,258,208.39	$ 0.00	$ 82,185,433.99	$ 0.00
1290	Appropriations	$ 73,707,000.00	$ 0.00	$ 73,707,000.00	$ 0.00
1490	Borrowing Authority	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1690	Contract Authority	$ 0.00	$ 0.00	$ 0.00	$ 0.00
1890	Spending Auth from Offsetting Coll	$ 6,511,619.84	$ 0.00	$ 7,515,283.40	$ 0.00
1910	Total Budgetary Resources	$ 176,476,828.23	$ 0.00	$ 163,407,717.39	$ 0.00
STATUS OF BUDGETARY RESOURCES:					
2190	New obligations and upward adjustments	$ 90,359,133.23	$ 0.00	$ 73,045,852.67	$ 0.00
Unobligated Bal End of Year:					
2204	Apportioned	$ 77,986,056.57	$ 0.00	$ 75,197,736.87	$ 0.00
2304	Exempt from Apportionment	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2404	Unapportioned	$ 2,914,182.21	$ 0.00	$ 12,019,222.86	$ 0.00
2412	Unexpired unobligated balance, end of year	$ 80,900,238.78	$ 0.00	$ 87,216,959.73	$ 0.00
2413	Expired unobligated balance, end of year	$ 5,217,456.22	$ 0.00	$ 3,144,904.99	$ 0.00
2490	Total Unoblig Bal, End of Year	$ 86,117,695.00	$ 0.00	$ 90,361,864.72	$ 0.00
2500	Total Budgetary Resources	$ 176,476,828.23	$ 0.00	$ 163,407,717.39	$ 0.00

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INTERNATIONAL BOUNDARY AND WATER COMMISSION
STATEMENT OF BUDGETARY RESOURCES
AS OF SEPTEMBER 30, 2016 (CY) and 2015 (PY)

		Budgetary 2016 (CY)	Non-Budgetary 2016 (CY)	Budgetary 2015 (PY)	Non-Budgetary 2015 (PY)
CHANGE IN OBLIGATED BALANCE:					
Unpaid Obligations:					
3000	Unpaid Oblig's, Brought Forward	$ 55,283,655.36	$ 0.00	$ 83,650,921.66	$ 0.00
3006	Adjustment to Unpaid Obligations	$ 0.00	$ 0.00	$ 0.00	$ 0.00
3012	New obligations and upward adjustments	$ 90,359,133.23	$ 0.00	$ 73,045,852.67	$ 0.00
3020	Outlays, Gross	($ 83,002,365.63)	$ 0.00	($ 85,268,922.55)	$ 0.00
3032	Actual Transfers, Unpaid Oblig	$ 0.00	$ 0.00	$ 0.00	$ 0.00
3042	Recoveries, Prior Yr Obs Unpaid	($ 5,477,691.57)	$ 0.00	($ 16,144,196.42)	$ 0.00
3050	Unpaid Obligations, End of Year	$ 57,162,731.39	$ 0.00	$ 55,283,655.36	$ 0.00
Uncollected Payments:					
3060	Uncoll Customer Pmts Brought Fwd	($ 1,323,113.55)	$ 0.00	($ 2,999,546.30)	$ 0.00
3066	Adj Uncoll Cust Pmts Brought Fwd	$ 0.00	$ 0.00	$ 0.00	$ 0.00
3072	Change in Uncollected Paymts	($ 4,762,840.70)	$ 0.00	$ 1,676,432.75	$ 0.00
3082	Actual Transfers, Uncoll Pymts	$ 0.00	$ 0.00	$ 0.00	$ 0.00
3090	Uncoll Payments, End of Year	($ 6,085,954.25)	$ 0.00	($ 1,323,113.55)	$ 0.00
Memorandum Entries:					
3100	Obligated balance, start of year.	$ 53,960,541.81	$ 0.00	$ 80,651,375.36	$ 0.00
3200	Obligated balance, End of year.	$ 51,076,777.14	$ 0.00	$ 53,960,541.81	$ 0.00
BUDGET AUTHORITY & OUTLAYS, NET:					
4175	Budget Authority, Gross	$ 80,218,619.84	$ 0.00	$ 81,222,283.40	$ 0.00
4176	Actual Offsetting Collections	($ 9,255,435.22)		($ 9,191,716.15)	
4177	Change Uncollected Pymts-Fed	($ 4,762,840.70)	$ 0.00	$ 1,676,432.75	$ 0.00
4178	Recoveries of prior year paid obligations	$ 784,864.92	$ 0.00	$ 0.00	$ 0.00
4179	Anticipated Offsetting Collections	$ 0.00	$ 0.00	$ 0.00	$ 0.00
4180	Budget Authority, Net	$ 66,985,208.84	$ 0.00	$ 73,707,000.00	$ 0.00
4185	Outlays, Gross	$ 83,002,365.63	$ 0.00	$ 85,268,922.55	$ 0.00
4187	Actual Offsetting Collections	($ 9,255,435.22)	$ 0.00	($ 9,191,716.15)	$ 0.00
4190	Outlays, Net	$ 73,746,930.41	$ 0.00	$ 76,077,206.40	$ 0.00
4200	Distributed Offsetting Receipts	$ 0.00	$ 0.00	$ 0.00	$ 0.00
4210	Agency Outlays, Net	$ 73,746,930.41	$ 0.00	$ 76,077,206.40	$ 0.00

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying principal financial statements present the financial activity of the International Boundary and Water Commission, U.S. Section (U.S. Section). The statements are presented in accordance with form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. OMB Circular A-136 establishes the central reference point for all Federal financial reporting guidance for Executive Branch departments that are required to submit audited financial statements and Performance and Accountability Reports under the Chief Financial Officers Act of 1990, the Accountability of Tax Dollars Act of 2002, and Annual Management Reports under the Government Corporations Control Act. The financial statements presented herein are in addition to the financial reports prepared by U.S. Section in accordance with OMB and U.S. Treasury directives to monitor and control the status and use of budgetary resources.

The financial statements have been prepared from U.S. Section's books and records, and in accordance with its accounting policies, of which the significant policies are summarized in this Note. The agency's accounting policies follow generally accepted accounting principles (GAAP) accepted in the United States of America for Federal entities as prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Advisory Board,* incorporates the GAAP hierarchy into FASAB's authoritative literature.

Reporting Entity

As previously noted, the International Boundary and Water Commission (The Commission) consists of two sections, a U.S. Section and a Mexican Section. Each Section, administered independent of the other, reports to its respective government's foreign affairs entity. The Commission is charged with applying a series of boundary and water treaties between the United States and Mexico, and exercise the rights and obligations that the two governments have jointly assumed for the solution of boundary and water problems. The U.S. Section is headquartered in El Paso, Texas and operates under the foreign policy guidance of the Department of State. The financial statements include the accounts of all funds under U.S. Section's control.

Basis of Accounting

Transactions are recorded on both the accrual accounting basis and the budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Revenue and Other Financing Sources

U.S. Section receives most of the funding needed to support its programs through appropriations from the U.S. Government. U.S. Section receives both annual and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures, primarily for equipment and construction projects. Other amounts are obtained through reimbursements for services performed for other federal agencies, state and local governments, and the Mexican Section.

Fund Balance with Treasury and Cash

U.S. Section does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. Fund Balances with the Treasury and cash are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase and contractual commitments.

Property and Equipment

The land, buildings, and equipment are capitalized at cost, if the initial cost is $25,000 or more. Expenditures that increase the useful life of the assets are capitalized. Normal repairs and maintenance costs are expensed when purchased.

Liabilities

Liabilities represent monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. However, no liability can be paid by the U.S. Section absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as unfunded, and there is no certainty that the appropriation will be enacted. Also, liabilities arising from other than contracts can be abrogated by the U.S. Government, acting in its sovereign capacity.

Accrued Liabilities

Expenses or obligations incurred for personnel compensation, services, supplies, and materials that have not been paid during the fiscal year.

Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned, but not taken; financing will be obtained from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

Retirement Plans

The U.S. Section's employees participated in the Civil Service Retirement System (CSRS), to which it makes matching contributions equal to seven percent of pay. The agency does not report CSRS assets, accrued plan benefits, or unfounded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the U.S. Office of Personnel Management.

On January 01, 1987, the Federal Employees Retirement System (FERS) became effective under Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security (FIAC). Employees hired prior to January 01, 1984, had the option to join FERS and Social Security or remain in CSRS. The primary feature of FERS is that it offers a savings plan that automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For employees hired after December 31, 1983, the U.S. Section also contributes the employer's matching share for Social Security.

NOTE 2: FUND BALANCE WITH TREASURY

A summary of the fund balances with the U.S. Treasury as of September 30, 2016 and 2015 is provided below.

	FY 2016	FY 2015
Fund Balances:		
Trust Funds	$ 0.00	$ 0.00
Special Funds	$ 0.00	$ 0.00
Revolving Funds	$ 0.00	$ 0.00
General Funds	$ 141,396,225.16	$ 144,322,406.95
Other Fund Types	$ 594.45	($ 128,228.59)
Total	**$ 141,396,819.61**	**$ 144,194,178.36**
Status of Fund Balances with Treasury		
Unobligated Balance		
Available	$ 82,187,809.59	$ 75,197,736.87
Unavailable	$ 8,131,638.43	$ 15,164,128.27
Obligated Balance not yet Disbursed	$ 51,076,777.14	$ 53,960,541.81
Non-Budgetary FBWT	$ 594.45	($ 128,228.59)
Total	**$ 141,396,819.61**	**$ 144,194,178.36**

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from state, local, and foreign governments and are comprised of the following as of September 30, 2016 and 2015:

	FY 2016	FY 2015
Intra-Governmental Receivables		
Accounts Receivable-Billed	$ 9,300.00	$ 0.00
Accounts Receivable-Unbilled	$ 178,462.65	$ 215,669.90
Governmental Receivables		
Accounts Receivable-Billed	$ 4,679,963.85	$ 3,695,061.97
Accounts Receivable-Unbilled	$ 1,218,228.40	$ 2,408,104.89
Total	**$ 6,085,954.90**	**$ 6,318,836.76**
Mexico owed the U.S. Section the following amounts:		
O&M Nogales Wastewater Treatment Plt	$ 3,281,867.15	$ 4,223,944.88
O&M Tijuana Sanitation Plant	$ 500,000.00	$ 496,000.00
O&M Anzalduas Dam Stoplogs & Utilities	$ 16,554.55	$ 16,554.55
O&M Cordova Bridge	$ 18,000.00	$ 12,000.00
Total	**$ 3,816,421.70**	**$ 4,748,499.43**

The receivables for leases and licenses are paid at the beginning of the lease term. If payment is not received, the lease/license is cancelled; therefore, no allowance for uncollectible accounts was established at September 30, 2016.

NOTE 4: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment as of September 30, 2016 and 2015, consisted of the following:

Classes of Fixed Assets	FY 2016 Acquisition Value	FY 2016 Accumulated Depreciation	FY 2016 Net Value	FY 2015 Net Value
Land	$ 50,000,979.51	$ 0.00	$ 50,000,979.51	$ 50,000,979.51
Structures, Facilities, and Leasehold Improvements	$ 1,067,141,771.43	($ 298,644,944.91)	$ 768,496,826.52	$ 776,149,368.36
Internal Use Software	$ 1,933,938.43	($ 1,199,776.07)	$ 734,162.36	$ 1,120,949.96
Equipment	$ 24,340,054.38	($ 17,678,830.79)	$ 6,661,223.59	$ 6,381,607.05
Construction in Progress	$ 53,086,404.54	$ 0.00	$ 53,086,404.54	$ 38,417,602.52
Total	**$1,196,503,148.29**	**($317,523,551.77)**	**$878,979,596.52**	**$872,070,507.40**

Depreciation and amortization of property and equipment is calculated on a straight-line basis. Leasehold improvements are amortized over the shorter of the assets' useful life or the lease term. A table of the ranges of depreciable and amortizable lives of the U.S. Section's assets follows. The agency's capitalization threshold is $25,000.00. There are no restrictions on the use or convertibility of the agency's property, plant, and equipment.

A table of the ranges of depreciable and amortizable lives of the U.S. Section's assets follows.

Category	Depreciable or Amortizable Life
Structures and Facilities	10 to 100 Years
Vehicles	5 Years
Internal Use Software	5 Years
ADP Equipment	3 Years
Reproduction Equipment	8 Years
Communication Equipment	15 Years
Other Equipment	4 to 20 Years

NOTE 5: STEWARDSHIP PP&E

A. Heritage Assets

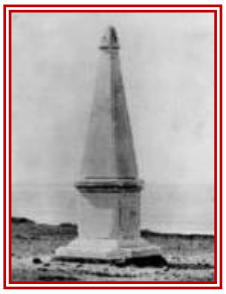
Heritage assets are plant, property, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational or aesthetic value; or significant architectural characteristics. Heritage assets consist of (1) collection type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections; and (2) non-collection-type heritage assets, such as parks, memorials, monuments, and buildings. Heritage assets are generally expected to be preserved indefinitely.

One of the primary mission requirements for the International Boundary and Water Commission (IBWC) is the demarcation and preservation of the international boundary between the United States and Mexico, as concluded under the Treaties of 1848 and 1853. Roughly 1300 miles of this border are demarcated by the Rio Grande and the Colorado River, and the other 700 miles of border are demarcated by international monuments along the land boundary. The IBWC has erected a total of 276 monuments along the international land boundary, which extends from the Pacific Ocean to the Rio Grande. These monuments are jointly owned and maintained by the United States and Mexico.

The stewardship policy for inspection and maintenance of these land boundary monuments is concluded in IBWC Minute No. 244 and associated Joint Report dated November 8, 1973. This binational agreement evenly distributes the maintenance responsibilities between the United States and Mexico, and provides for the periodical inspection and restoration of all international land boundary monuments at intervals of not more than ten years.

There are 276 monuments, each identified alphanumerically from 1 to 258. Each country is responsible for 138 monuments. The U.S. Section is responsible for Monuments No. 80 to 204-A. The Mexican Section is responsible for Monuments No. 1 to 79, and 206 to 258. The IBWC has not added nor withdrawn any land boundary monuments during this reporting period.

Although the monuments are all obelisk in shape, they vary in composition and appearance. Of the 276 monuments, 238 are composed of iron, 36 of masonry, one of granite, and one of marble. The iron monuments have a narrower base with a steeper-sloped shaft than the granite and masonry monuments. The marble monument has a wide base with a shorter vertical shaft and a taller pointed pyramidal apex. Photographs identifying the typical varieties of obelisk monuments found along the international land boundary are shown below.



Mon. No. 258
(Marble)

Mon. No. 255
(Granite)

Mon. No. 2
(Masonry)

Mon. No. 141
(Masonry)

Mon. No. 142
(Iron)

B. Multi-use Heritage Assets

Heritage assets may in some cases be used to serve two purposes – a heritage function and general government operations. In cases where a heritage asset serves two purposes, the heritage asset should be considered a multi-use heritage asset if the predominant use of the asset is in general government operations (i.e. the main Treasury building used as an office building). Heritage assets having an incidental use in government operations are not multi-use heritage assets; they are simply heritage assets.

Falcon International Storage Dam and Hydroelectric Power Plants are multi-use heritage assets. These were constructed jointly by the U.S. and Mexico pursuant to Water Treaty of 1944 for the mission purposes of flood control, water conservation, and hydroelectric power generation. The project also provided a secondary benefit of recreation for the public.

The international dam is approximately two miles wide in the U.S. and three miles wide in Mexico. The dam and each country's power plants are located about 75 miles downstream (southeast) of Laredo, Texas and approximately 150 miles above the mouth of the Rio Grande. The reservoir has a storage capacity of nearly 4 million acre-feet and extends roughly 30 miles across Starr and Zapata Counties in Texas, and the State of Tamaulipas, Mexico.

The construction of the international dam, reservoir (lake), and hydroelectric power plants (one in each country) is historically significant, because Presidents Dwight D. Eisenhower of the United States and President Adolfo Ruiz Cortines of Mexico met on October 19, 1953 at the center of Falcon International Dam to dedicate it to the well-being of the residents of both countries. Both presidents recognized the importance of the storage dam for water conservation, power generation, flood control, recreation, and as a symbol of friendship and cooperation between the U.S. and Mexico. Construction of the dam and reservoir resulted in the submersion and relocation of 5 townships in the both countries.

In accordance with IBWC Minute No. 202, the maintenance of the international works was prorated to equally reflect the benefits and costs borne by each country. The U.S. is responsible for 58.6% of the maintenance of the international storage dam, which includes: the embankment and intake on the U.S. side, the spillway, and the jurisdictional markers and buoys in the reservoir. Mexico is responsible for 41.4% of the international storage dam, which includes: the embankment and intake in Mexico, the international monument on the dam, and the revetment of the riverbank opposite the spillway channel. Each country is fully responsible for the maintenance of its own power house, because the two powerhouses are identical in construction and generate equal quantities of power.

C. Stewardship Land

Stewardship land is land and land rights owned by the Federal Government, but not acquired for or in connection with items of general plant, property, and equipment. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing. “Land” is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land. Land and land rights owned by the Federal Government and acquired for or in connection with items of general plant, property, and equipment should be accounted for and reported as general

plant, property, and equipment. Land and land rights owned by the Federal Government and not acquired for or in connection with items of general plant, property, and equipment should be reported as stewardship land.

The U.S. Section does not own nor maintain stewardship land. Recreational facilities at Falcon Reservoir were developed in December 1954 by the State of Texas, Starr County, and by private interests. The Texas Parks and Wildlife Department operates the 548.6-acre Falcon State Park, located on the reservoir, about one mile upstream of the darn in Starr and Zapata Counties. This property was transferred on January 21, 1974, to the State of Texas for the perpetual use for a public park and recreation area.

D. Inventory Summary

The cost of heritage assets is not often relevant or determinable. In addition, the useful life of heritage assets is generally not reasonably estimable for depreciation purposes. The most relevant information about heritage assets is their existence and condition. Therefore, heritage assets are reported in terms of physical units.

INTERNATIONAL BOUNDARY AND WATER COMMISSION
INVENTORY SUMMARY OF HERITAGE ASSETS
AS OF SEPTEMBER 30, 2016 AND 2015

	Physical Units	
Description	**FY 2016**	**FY 2015**
Heritage Assets:		
Western Land Boundary Monuments No. 80 to 204-A	138	138
Multi-use Heritage Assets:		
Falcon International Dam (on U.S. side)	1	1
Falcon U.S. Hydroelectric Power Plant	1	1
Total Heritage and Multi-use Heritage Assets	**140**	**140**

* *Note: The term "dam" refers to the entire barrier that retains the water to create the reservoir. It includes the earthen embankment, reinforced concrete structure, and steel gates.*

NOTE 6: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2016 and 2015, are provided below.

	FY 2016	FY 2015
Liabilities Not Covered by Budgetary Resources		
Intragovernmental:		
Workers Compensation Liability	$ 2,394,573.35	$ 1,788,437.16
FECA Actuarial Liability	$ 10,000,000.00	$ 6,448,284.17
Total Intragovernmental	$ 12,394,573.35	$ 8,236,721.33
Unfunded Annual Leave	$ 1,352,094.38	$ 1,311,174.24
Estimated Cleanup Costs-Asbestos	$ 2,890,401.24	$ 2,966,806.07
Total Liabilities Not Covered by Budgetary Resources	$ 16,637,068.97	$ 12,514,701.64
Total Liabilities Covered by Budgetary Resources	$ 6,268,820.19	$ 8,648,920.49
Total Liabilities	**$ 22,905,889.16**	**$ 21,163,622.13**

NOTE 7: ENVIRONMENTAL AND DISPOSAL LIABILITIES

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities for Federal Government; SFFAS 6, Accounting for Property, Plant and Equipment, Chapter 4 Cleanup Costs; and Technical Release (TR) 2, Determining Probable and Reasonable Estimable for Environmental Liabilities in the Federal Government, Technical Release 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment, and Technical Release 11, Implementation Guidance on Cleanup Costs Associated with Equipment, 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.

In FY 2014, the U.S. Section contracted for a review and verification of the FY 2013 estimated cleanup costs for its real property facilities that contained asbestos materials and lead coated and/or lead containing components. The purpose of the reviews was to verify the FY13 survey findings, conduct supplementary sampling in areas not previously covered, and to produce rough order magnitude estimates for abatement of the regulated asbestos containing materials (ACM) and Lead Based Paint (LBP) at the agency's field office locations. The contractor conducted the surveys during the November and December 2013 and as a result estimates for the ACM and LBP were provided for each field office location.

In FY 2015, the calculation was updated to account for the demolition of the administration building in Del Rio, Texas (Amistad Dam Field Office), as well as wage and price changes due to inflation, deflation, technology, and applicable laws and regulations. The updated cost for cleanup of ACM and LBP at U.S. Section facilities is $1,604,713.20 for friable and $1,362,092.87 for non-friable ACM/LBP, thus resulting in a total ACM/LBP cleanup cost liability of $2,966,806.07.

In FY 2016, the calculation was updated to account for the wage and price changes due to inflation, deflation, technology, and applicable laws and regulations. The updated cost for cleanup of ACM and LBP at U.S. Section facilities is $1,563,386.66 for friable and $1,327,014.58 for non-friable ACM/LBP, thus resulting in a total ACM/LBP cleanup cost liability of $2,890,401.24.

The estimated asbestos and lead based paint cleanup liability is subject to change due to changes in inflation, deflation, technology or applicable laws and regulations.

NOTE 8: OTHER LIABILITIES

The tables below provide the U.S. Section's liabilities as of September 30, 2016 and 2015.

	Non-Current	Current	FY 2016 Total
Intragovernmental Liabilities			
Contract Accruals	$ 0.00	$ 50,000.00	$ 50,000.00
Accrued Payroll-Fringe Benefits	$ 0.00	$ 207,100.00	$ 207,100.00
Total Intragovernmental	**$ 0.00**	**$ 257,100.00**	**$ 257,100.00**
Contract Accruals	$ 0.00	$ 3,119,907.49	$ 3,119,907.49
Accrued Payroll-Labor	$ 0.00	$ 648,250.00	$ 648,250.00
Deposit Funds	$ 0.00	$ 594.45	$ 594.45
Accounts Payable	$ 0.00	$ 1,116,084.87	$ 1,116,084.87
Advances	$ 0.00	$ 305,786.51	$ 305,786.51
Other Liabilities	$ 0.00	$ 821,096.87	$ 821,096.87
Total Other Liabilities	**$ 0.00**	**$ 6,268,820.19**	**$ 6,268,820.19**

	Non-Current	Current	FY 2015 Total
Intragovernmental Liabilities			
Contract Accruals	$ 0.00	$ 626,805.00	$ 626,805.00
Accrued Payroll-Fringe Benefits	$ 0.00	$ 176,950.00	$ 176,950.00
Total Intragovernmental	**$ 0.00**	**$ 803,755.00**	**$ 803,755.00**
Contract Accruals	$ 0.00	$ 6,493,086.68	$ 6,493,086.68
Accrued Payroll-Labor	$ 0.00	$ 513,350.00	$ 513,350.00
Deposit Funds	$ 0.00	($ 128,228.59)	($ 128,228.59)
Accounts Payable	$ 0.00	$ 234,940.44	$ 234,940.44
Advances	$ 0.00	$ 304,016.96	$ 304,016.96
Other Liabilities	$ 0.00	$ 428,000.00	$ 428,000.00
Total Other Liabilities	**$ 0.00**	**$ 8,648,920.49**	**$ 8,648,920.49**

NOTE 9: LEASES

The agency leased eighty-four (84) passenger vehicles including vans, pickup trucks, and sedans from the General Services Administration (GSA) for the twelve months of the fiscal years. The cost of these vehicle leases for FY 2016 was $535,813.30. The leased vehicles were utilized by agency staff at Headquarters and the twelve field office facilities in Texas, New Mexico, Arizona, and California.

The agency also leased twelve (12) multipurpose copiers with scanning and printing capabilities during the fiscal year for $39,516.96. These copiers were primarily located at the Headquarters building and were leased on a twelve-month basis for FY 2016.

The agency leased miscellaneous types of equipment such as heavy duty water pumps and chlorine cylinders during this period. The agency also leased radio communication tower space for its antennas to support two-way radio communications between the field offices and employees working in remote areas along the border. The value of the leased miscellaneous equipment and radio communication tower space was $35,330.21.

Future projected payments of operating leases are as follows:

OPERATING LEASES

Fiscal Year	GSA Vehicles	Copiers	Radio Tower Space	Other	Total
FY 2017	$ 555,000	$ 43,000	$ 19,000	$ 25,000	$ 642,000
FY 2018	$ 555,000	$ 43,000	$ 19,000	$ 25,000	$ 642,000
FY 2019	$ 555,000	$ 43,000	$ 19,000	$ 25,000	$ 642,000
FY 2020	$ 555,000	$ 43,000	$ 19,000	$ 25,000	$ 642,000
FY 2021	$ 555,000	$ 43,000	$ 19,000	$ 25,000	$ 642,000
Total Est. Future Pmts	**$ 2,775,000**	**$ 215,000**	**$ 95,000**	**$ 125,000**	**$ 3,210,000**

NOTE 10: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental expenses are the actual direct costs incurred for labor, materials, supplies, etc. in providing the services to other federal agencies. No indirect costs or overhead is being charged to these federal agencies. Intragovernmental revenues are the reimbursements received from these federal agencies that are being provided the services. The agency is only receiving reimbursement for the direct costs incurred in providing services to these federal agencies.

	As of September 30,	
	FY 2016	FY 2015
BOUNDARY PRESERVATION		
Intragovernmental cost	$ 168,015.78	$ 182,806.87
Public cost	$ 457,781.70	$ 348,163.05
Total Boundary Preservation Costs	$ 625,797.48	$ 530,969.92
Intragovernmental revenue	$ 0.00	$ 0.00
Public revenue	($ 178,376.84)	$ 0.00
Total Boundary Preservation Revenue	($ 178,376.84)	$ 0.00
WATER CONVEYANCE		
Intragovernmental cost	$ 4,292,653.85	$ 8,406,193.43
Public cost	$ 44,393,479.91	$ 42,116,089.32
Total Water Quantity Costs	$ 48,686,133.76	$ 50,522,282.75
Intragovernmental revenue	($ 2,471,141.78)	($ 4,740,952.55)
Public revenue	($ 220,651.04)	($ 1,028,811.39)
Total Water Quantity Revenue	($ 2,691,792.82)	($ 5,769,763.94)
WATER QUALITY		
Intragovernmental cost	$ 565,440.32	$ 634,301.70
Public cost	$ 13,210,779.60	$ 17,257,122.15
Total Water Quality Costs	$ 13,776,219.92	$ 17,891,423.85
Intragovernmental revenue	$ 0.00	$ 0.00
Public revenue	($ 3,604,138.26)	($ 4,901,309.54)
Total Water Quality Revenue	($ 3,604,138.26)	($ 4,901,309.54)
RESOURCE & ASSET MGT		
Intragovernmental cost	$ 4,581,374.54	$ 5,091,237.67
Public cost	$ 11,478,514.92	$ 11,339,885.51
Total Resource & Asset Mgt Costs	$ 16,059,889.46	$ 16,431,123.18
Intragovernmental revenue	($ 9,300.00)	$ 0.00
Public revenue	($ 26,242.37)	($ 2,665.82)
Total Resource & Asset Mgt Revenue	($ 35,542.37)	($ 2,665.82)

NOTE 11: EXCHANGE REVENUES

For the years ended September 30, 2016 and 2015, revenues from services provided and other revenues and financial sources consisted of the following:

	FY 2016	FY 2015
O&M Wastewater Treatment Plants	($ 2,433,024.16)	($ 4,488,703.95)
Power Plant O&M - DOE	($ 2,471,141.78)	($ 4,694,507.69)
Reimbursement	$ 0.00	($ 679,639.05)
Clean Rivers Project - Texas	($ 213,727.18)	($ 412,605.59)
City of Nogales	($ 957,386.92)	$ 0.00
Quarters Rental	($ 137,597.72)	($ 104,131.40)
Vehicle Maintenance-GSA	($ 32,961.05)	($ 46,444.86)
Leases/Licenses	($ 40,779.12)	($ 22,209.88)
Morillo Drain O&M - LRGWC	($ 193,641.30)	($ 198,287.26)
Mexico-O&M Cordova Bridge	($ 6,000.00)	$ 0.00
O&M Anzalduas Dam Stoplogs	($ 6,463.94)	($ 18,572.19)
Water Bulletins/FOIA/Other	($ 10,627.63)	($ 2,665.82)
Other Revenue	$ 24,549.02	$ 0.00
Interest and Penalties	($ 21,748.51)	$ 0.00
Other Services Rendered to Mexico	$ 0.00	($ 5,971.61)
Department of Labor	($ 9,300.00)	$ 0.00
Total Earned Revenue	**($ 6,509,850.29)**	**($ 10,673,739.30)**

Pricing Policy

The agency does not have the authority to make a profit on any of the revenue it receives from outside sources. Therefore, the agency bills and recovers only the direct costs incurred in providing services to these third parties.

NOTE 12: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE

Below are the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A and B for the years ended September 30, 2016 and 2015.

	FY 2016	FY 2015
Salary & Expenses (Category A):		
Direct Obligations	$ 46,888,269.69	$ 47,301,654.29
Reimbursable Obligations	$ 9,203,529.85	$ 6,715,050.39
Total Obligations Category A	**$ 56,091,799.54**	**$ 54,016,704.68**
Construction (Category B):		
Direct Obligations	$ 34,267,333.69	$ 18,285,544.95
Reimbursable Obligations	$ 0.00	$ 743,603.04
Total Obligations Category B	**$ 34,267,333.69**	**$ 19,029,147.99**

NOTE 13: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Below are the budgetary resources obligated for undelivered orders for the years ended September 30, 2016 and 2015.

	FY 2016	FY 2015
Salaries & Expenses Appropriations		
Fund 1911069	$ 0.00	$ 317,119.41
Fund 1921069	$ 4,116.00	$ 545,973.60
Fund 1931069	$ 117,584.57	$ 395,968.27
Fund 1941069	$ 413,389.96	$ 1,242,095.30
Fund 1951069	$ 521,282.05	$ 9,560,474.63
Fund 1961069	$ 10,724,405.73	$ 0.00
Total S&E Appropriations	**$ 11,780,778.31**	**$ 12,061,631.21**
Construction Appropriations		
Fund 19X1078	$ 42,755,376.07	$ 43,165,777.74
Total Cons. Appropriations	**$ 42,755,376.07**	**$ 43,165,777.74**

NOTE 14: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The reconciliation of net cost of operations to budget for the years ending September 30, 2016 and 2015 is as follows:

	FY 2016 (CY)	FY 2015 (PY)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations Incurred	$ 90,359,133.23	$ 73,045,852.67
2. Less Spending Authority from Offsetting Collections\Recoveries	($ 11,989,311.41)	($ 23,659,479.82)
3. Obligations Net of Offsetting Collections and Recoveries	$ 78,369,821.82	$ 49,386,372.85
4. Less: Offsetting Receipts	$ 0.00	$ 0.00
5. Net Obligations	$ 78,369,821.82	$ 49,386,372.85
Other Resources		
6. Donations and Forfeitures of Property	$ 0.00	$ 0.00
7. Transfers In/Out without Reimbursement	$ 0.00	$ 0.00
8. Imputed Financing from Costs Absorbed by Others	$ 1,598,686.29	$ 1,548,662.82
9. Other Resources Used to Finance Activities	$ 0.00	$ 0.00
10. Net Other Resources Used to Finance Activities	$ 1,598,686.29	$ 1,548,662.82
11. Total Resources Used to Finance Activities	$ 79,968,508.11	$ 50,935,035.67
Resources Used to Finance Items not Part of the Net Cost of Operations:		
12. Change in Budgetary Resources Obligated for Goods Services and benefits Ordered but not Yet Provided	$ 691,254.57	$ 28,645,813.20
13. Resources that Fund Expenses Recognized in Prior Periods	$ 0.00	$ 0.00
14. Budgetary offsetting Collections & Receipts that do not affect Net Cost of Ops.		
14a. Net Change Unfilled Orders	$ 0.00	$ 0.00
14b. Other	$ 0.00	$ 0.00
15. Resources that finance the acquisition of assets	($ 30,432,952.05)	($ 27,175,586.08)
16. Other Res. or Adj. to net obligated res. that do not affect Net Cost of Ops.	$ 0.00	($ 326,354.71)
17. Total Resources Used to Finance items Not Part of the Net Cost of Ops.	($ 29,741,697.48)	$ 1,143,872.41
18. Total Resources Used to Finance the Net Cost of Operations	$ 50,226,810.63	$ 52,078,908.08
Components of Net Cost of Ops. that will not Require or Generate Res. in Current Pd:		
Components Requiring or Generating Resources in Future Periods:		
19. Increase in Annual leave Liability	$ 40,920.14	($ 37,184.87)
20. Increase in Workmen's Compensation Liability	$ 4,157,852.02	$ 2,147,483.55
21. Labor Estimates	$ 165,050.00	$ 0.00
22. Contract Accruals	($ 2,938,247.17)	$ 1,930,039.83
23. Contingent and Environmental Liabilities	($ 76,404.83)	($ 1,250,955.99)
25. Net Change in Revenue Estimates	($ 4,162,119.46)	($ 3,158,455.90)
24. Total Components of Net Cost of Ops. that will require or generate res. in future pd.	($ 2,812,949.30)	($ 369,073.38)
Components Not Requiring or Generating Resources:		
26. Depreciation and Amortization	$ 25,391,348.32	$ 23,256,621.50
27. Revaluation of Assets or Liabilities	$ 0.00	$ 0.00
28. Other	($ 167,019.32)	($ 264,395.80)
29. Total Components of Net Cost of Ops. that will not require or generate resources	$ 25,224,329.00	$ 22,992,225.70
30. Total Components of Net Cost of Ops. that will require or generate res. in current pd.	$ 22,411,379.70	$ 22,623,152.32
31. Net Cost of Operations	$ 72,638,190.33	$ 74,702,060.40

NOTE 15: CONTINGENCIES AND COMMITMENTS

The agency is a party to various administrative proceedings and legal actions that may result in adverse settlements or decisions to the federal government. Contingent Liabilities have been established where losses are determined to be probable and the amounts can be estimated. The agency has not established Accrued Contingent Liabilities for the claims where the amount of the potential loss cannot be reasonably estimated or the likelihood of an unfavorable outcome is less than probable.

The following is a breakout of the agency's Contingent Liabilities:

		Estimated Range of Losses	
Contingent Liabilities	**Accrued Liability**	**Lower End of Range**	**Upper End of Range**
Probable	$ 821,097	$ 0	$ 0
Reasonably Possible	$ 0	$ 2,000,000	$ 32,000,000

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE AND REPAIR

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be performed, but delayed until a future period. Under Statement of Federal Financial Accounting Standards (SFFAS) No. 6, maintenance is defined as "the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance *excludes* activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended."

Deferred maintenance costs were calculated and compiled for all agency assets. Common assets and heritage assets incurring deferred maintenance were grouped into mission-related categories. Care was employed to ensure that these amounts are strictly deferred maintenance and are neither asset values nor costs associated with the replacement, expansion, or upgrade of an asset. Deferred maintenance costs, which are separated into "critical maintenance" and "non-critical maintenance," are summarized in the table at the end of this section.

The U.S. Section defines *critical maintenance* as the maintenance that must be done by the agency to fulfill its core mission objectives and avoid the adverse risks to the public, the environment, and employees. Critical maintenance, if not performed, may result in significant safety, economic, and environmental impacts. Critical maintenance involves: necessary maintenance of flood control levees, diversion and storage dams, wastewater treatment plants, hydroelectric power plants, etc. to sustain mission requirements.

The agency defines *non-critical maintenance* as the maintenance that is performed by the agency, which has minimal impact on its core mission objectives and does not place significant risks on the public and the environment. Non-critical Maintenance includes: grounds maintenance at field offices, painting and re-carpeting offices, and other non-mission-essential maintenance.

Deferred maintenance can have significant future effects on the structural integrity of agency structures and facilities, which can considerably impact our ability to protect human life, property, and the environment. Therefore, the U.S. Section applies the condition assessment survey method to rate the condition of its assets. Condition assessment surveys are periodic inspections of property, plants, and equipment to determine the current condition and estimated cost to correct any deficiencies. As in the previous section, these assets were rated using the following scale:

1 = Excellent
2 = Good
3 = Fair
4 = Poor
5 = Very Poor

INTERNATIONAL BOUNDARY AND WATER COMMISSION
DEFERRED MAINTENANCE AND REPAIR
AS OF SEPTEMBER 30, 2016

Asset Category	Condition of Assets	Critical DM&R Cost	Non-critical DM&R Cost	Total Cost
Water Conveyance Assets:				
Amistad International Dam & Embankment	2	$ 397,200	$ 22,600	$ 419,800
Amistad U.S. Power Plant	-	$ 0	$ 0	$ 0
Gaging/Telemetry Systems	3 to 5	$ 31,000	$ 100,000	$ 131,000
Levee systems, Floodplains, & Channels	3 to 5	$ 963,000	$ 2,253,000	$ 3,216,000
Diversion Dams & Grade Control Struct.	-	$ 0	$ 0	$ 0
Other Structures (bridges, canals, culverts)	3	$ 257,000	$ 0	$ 257,000
Water Quality Assets:				
Wastewater Treatment Plant Infrastructure	3 to 5	$ 0	$ 455,000	$ 455,000
Field Office Buildings and Grounds:				
Office Buildings	3 to 4	$ 0	$ 210,000	$ 210,000
Warehouses & Service Buildings	4	$ 137,000	$ 236,000	$ 373,000
Family Housing	3	$ 5,280	$ 50,040	$ 55,320
Falcon Water Treatment Plant Infrastructure	5	$ 250,000	$ 0	$ 250,000
Other (grounds, fencing, etc.)	4 to 5	$ 113,750	$ 787,500	$ 901,250
Common Assets - Subtotal	**2 to 5**	**$ 2,154,230**	**$ 4,114,140**	**$ 6,268,370**
Heritage Assets:				
Land Boundary Monuments #80 to #204A	2 to 5	$ 50,000	$ 30,000	$ 80,000
Multi-use Heritage Assets:				
Falcon International Dam & Embankment	3	$ 544,000	$ 350,000	$ 894,000
Falcon U.S. Power Plant	-	$ 0	$ 0	$ 0
All Heritage Assets - Subtotal	**2 to 5**	**$ 594,000**	**$ 380,000**	**$ 974,000**
Deferred Maintenance & Repair - TOTAL	***2 to 5***	***$ 2,748,230***	***$ 4,494,140***	***$ 7,242,370***

COMBINING STATEMENT OF BUDGETARY RESOURCES

INTERNATIONAL BOUNDARY AND WATER COMMISSION
COMBINING STATEMENT OF BUDGETARY RESOURCES
As of SEPTEMBER 30, 2016 (CY)

		19_1069 Budgetary FY 2016 (CY)	19X1078 Budgetary FY 2016 (CY)	Total Budgetary FY 2016 (CY)
BUDGETARY RESOURCES:				
1000	Unoblig Bal Brought Fwd	$ 3,150,577.41	$ 87,211,287.31	$ 90,361,864.72
1020	Adj To Unoblig Bal Brought Fwd	$ 0.00	$ 0.00	$ 0.00
1020.5	Unoblig Bal Fwd, Adjusted	$ 3,150,577.41	$ 87,211,287.31	$ 90,361,864.72
1021	Recoveries of Prior Yr Unpaid Obligations	$ 2,598,845.36	$ 2,878,846.21	$ 5,477,691.57
1043	Other Chgs in Unoblig Balances	$ 383,316.10	$ 35,336.00	$ 418,652.10
1051	Unoblig Balance PY Budget Auth	$ 6,132,738.87	$ 90,125,469.52	$ 96,258,208.39
1290	Appropriations	$ 45,307,000.00	$ 28,400,000.00	$ 73,707,000.00
1490	Borrowing Authority	$ 0.00	$ 0.00	$ 0.00
1690	Contract Authority	$ 0.00	$ 0.00	$ 0.00
1890	Spending Auth from Offsetting Coll	$ 6,511,619.84	$ 0.00	$ 6,511,619.84
1910	Total Budgetary Resources	**$ 57,951,358.71**	**$ 118,525,469.52**	**$ 176,476,828.23**
STATUS OF BUDGETARY RESOURCES:				
2190	New obligations and upward adjustments	$ 56,091,799.54	$ 34,267,333.69	$ 90,359,133.23
	Unobligated Bal End of Year:			
2204	Apportioned	($ 3,357,897.05)	$ 81,343,953.62	$ 77,986,056.57
2304	Exempt from Apportionment	$ 0.00	$ 0.00	$ 0.00
2404	Unapportioned	$ 0.00	$ 2,914,182.21	$ 2,914,182.21
2412	Unexpired unobligated balance, end of year	($ 3,357,897.05)	$ 84,258,135.83	$ 80,900,238.78
2413	Expired unobligated balance, end of year	$ 5,217,456.22	$ 0.00	$ 5,217,456.22
2490	Total Unoblig Bal, End of Year	$ 1,859,559.17	$ 84,258,135.83	$ 86,117,695.00
2500	Total Budgetary Resources	**$ 57,951,358.71**	**$ 118,525,469.52**	**$ 176,476,828.23**

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INTERNATIONAL BOUNDARY AND WATER COMMISSION
COMBINING STATEMENT OF BUDGETARY RESOURCES
As of SEPTEMBER 30, 2016 (CY)

		19_1069 Budgetary FY 2016 (CY)	19X1078 Budgetary FY 2016 (CY)	Total Budgetary FY 2016 (CY)
CHANGE IN OBLIGATED BALANCE :				
	Unpaid Obligations:			
3000	Unpaid Obligations, Brought Forward	$ 11,229,922.23	$ 44,053,733.13	$ 55,283,655.36
3006	Adjustment to Unpaid Obligations	$ 0.00	$ 0.00	$ 0.00
3012	New obligations and upward adjustments	$ 56,091,799.54	$ 34,267,333.69	$ 90,359,133.23
3020	Outlays, Gross	($ 51,380,928.50)	($ 31,621,436.13)	($ 83,002,364.63)
3032	Actual Transfers, Unpaid Oblig	$ 0.00	$ 0.00	$ 0.00
3042	Recoveries, Prior Yr Obs Unpaid	($ 2,598,845.36)	($ 2,878,846.21)	($ 5,477,691.57)
3050	Unpaid Obligations, End of Year	$ 13,341,947.91	$ 43,820,784.48	$ 57,162,732.39
	Uncollected Payments:			
3060	Uncoll Customer Paym'ts Brought Fwd	($ 115,621.04)	($ 1,207,492.51)	($ 1,323,113.55)
3066	Adj Uncoll Cust Paym'ts Brought Fwd	$ 0.00	$ 0.00	$ 0.00
3072	Change in Uncollected Paymts	($ 4,762,840.70)	$ 0.00	($ 4,762,840.70)
3082	Actual Transfers, Uncoll Pymts	$ 0.00	$ 0.00	$ 0.00
3090	Uncoll Payments, End of Year	($ 4,878,461.74)	($ 1,207,492.51)	($ 6,085,954.25)
	Memorandum Entries:			
3100	Obligated balance, start of year.	$ 11,114,301.19	$ 42,846,240.62	$ 53,960,541.81
3200	Obligated balance, End of year.	$ 8,463,485.17	$ 42,613,291.97	$ 51,076,777.14
BUDGET AUTHORITY & OUTLAYS, NET:				
4175	Budget Authority, Gross	$ 51,818,619.84	$ 28,400,000.00	$ 80,218,619.84
4176	Actual Offsetting Collections	($ 9,220,099.22)	($ 35,336.00)	($ 9,255,435.22)
4177	Change Uncollected Pymts-Fed	($ 4,762,840.70)	$ 0.00	($ 4,762,840.70)
4178	Recoveries of prior year paid obligations	$ 749,528.92	$ 35,336.00	$ 784,864.92
4179	Antiicipated Offsetting Collections	$ 0.00	$ 0.00	$ 0.00
4180	Budget Authority, Net	$ 38,585,208.84	$ 28,400,000.00	$ 66,985,208.84
4185	Outlays, Gross	$ 51,380,929.50	$ 31,621,436.13	$ 83,002,365.63
4187	Actual Offsetting Collections	($ 9,220,099.22)	($ 35,336.00)	($ 9,255,435.22)
4190	Outlays, Net	$ 42,160,830.28	$ 31,586,100.13	$ 73,746,930.41
4200	Distributed Offsetting Receipts	$ 0.00	$ 0.00	$ 0.00
4210	Agency Outlays, Net	$ 42,160,830.28	$ 31,586,100.13	$ 73,746,930.41

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