

INTERNATIONAL BOUNDARY AND WATER COMMISSION  
UNITED STATES AND MEXICO  
UNITED STATES SECTION



FINAL  
AGENCY FINANCIAL REPORT  
FISCAL YEAR 2019

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April 2, 2020







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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.

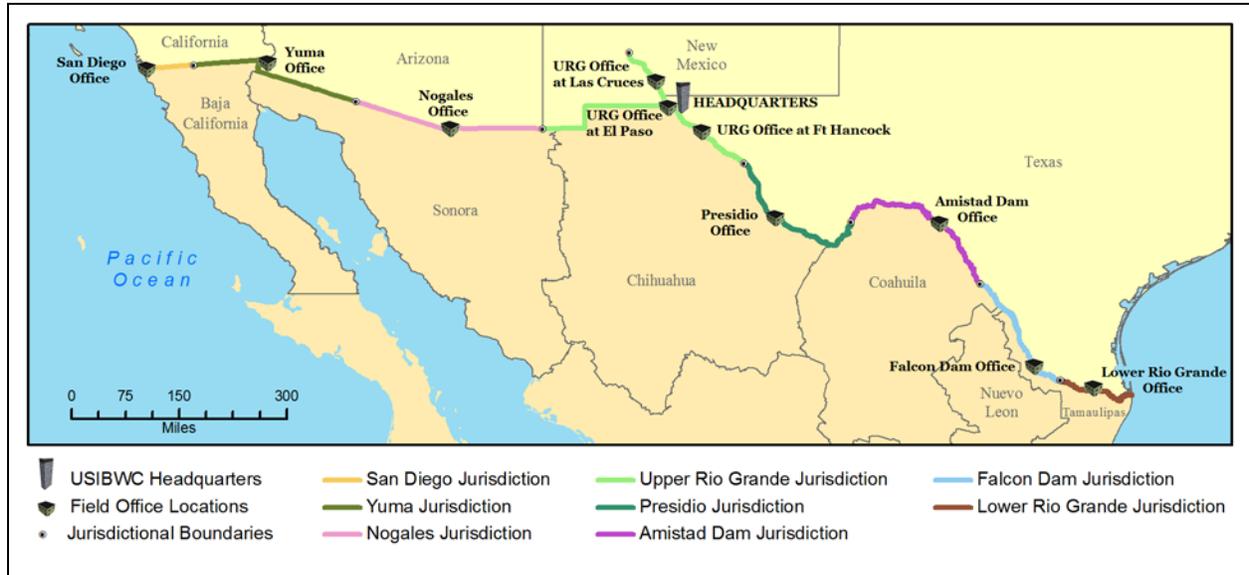
The Operations Department

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 100 hydrologic gaging stations, 500 miles of levee, 20,000 acres of floodplain, 700 hydraulic structures, four diversion dams, two international storage dams with hydroelectric power plants, 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 eleven field offices, eight 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 eight 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 assists 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 extend 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.

Falcon Dam Field Office

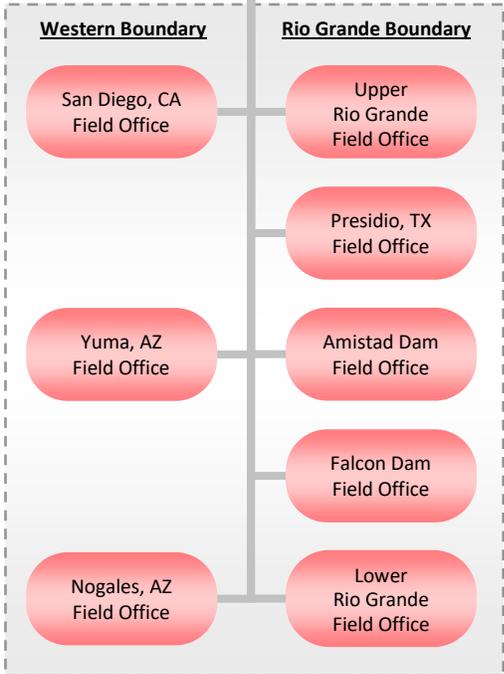
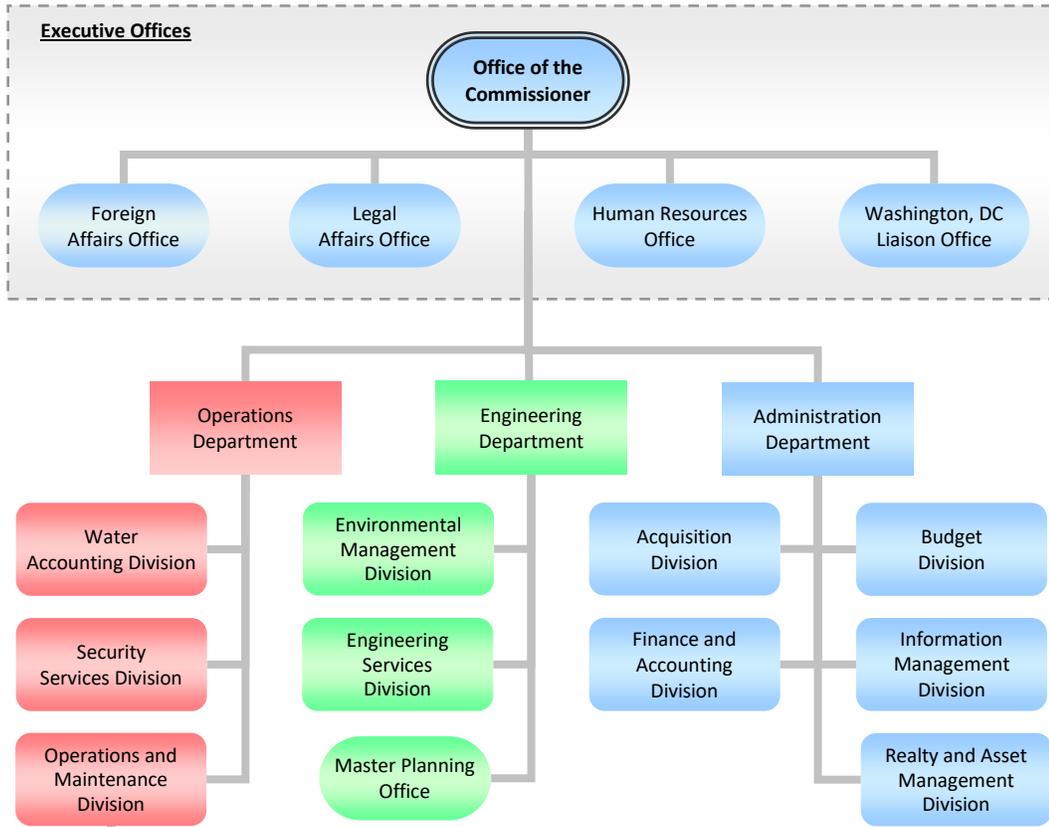
The core role of this field office is to effectively operate and maintain the Falcon International Storage Dam and Hydroelectric Power Plant to provide water conservation, flood control and to generate hydroelectric power in conjunction with irrigation, municipal, and flood releases. In addition, the field office operates and/or maintains jurisdictional boundary demarcation monuments, water gaging facilities, and performs water flow and storage measurements for accounting of Rio Grande waters. The office also performs water quality sampling data and oversight of the operations and maintenance of the Nuevo Laredo International Wastewater Treatment Plant in Mexico. The Falcon Dam Field Office is situated in Falcon Heights, Texas. Its jurisdiction extends from the Maverick and Webb 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.

**International Boundary and Water Commission, United States Section**

**ORGANIZATIONAL STRUCTURE**

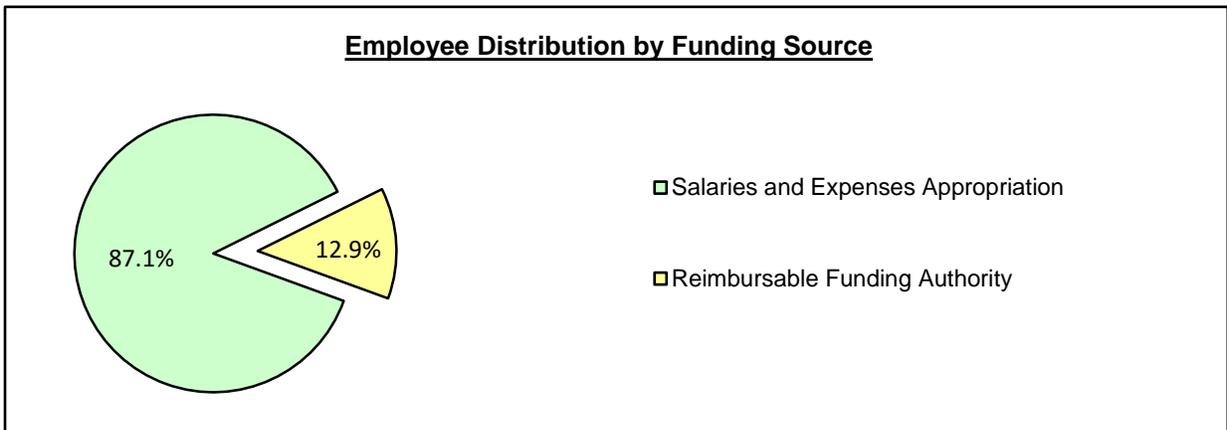
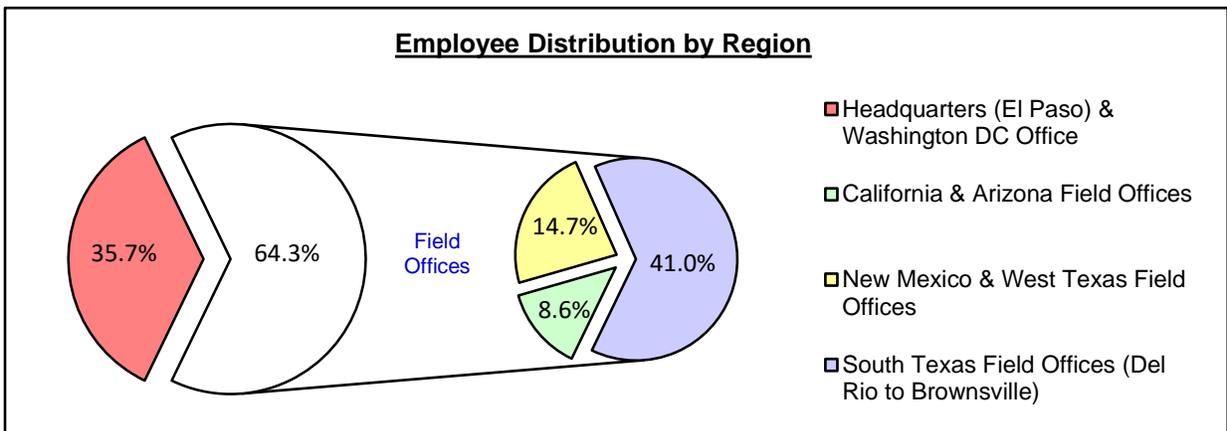
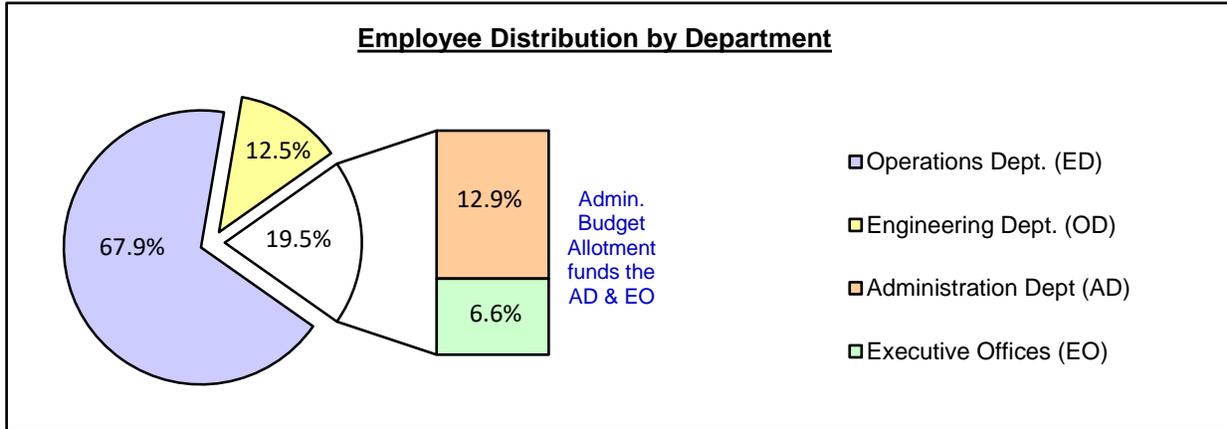


**Notes:**

- 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 contains the Internal Audit and Equal Employment Opportunity Functions.
- The Foreign Affairs Office includes the Public Affairs function.
- The Legal Affairs Office covers the Ethics and Privacy Act functions.
- 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, and occasionally operates a temporary satellite office in Laredo, TX.

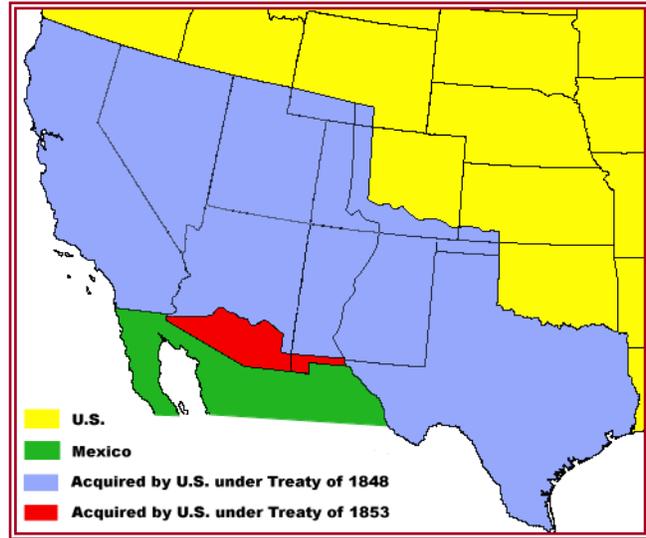
WORKFORCE DISTRIBUTION

The agency's labor program included a total workforce of 279 full-time equivalents (FTE's) in FY 2019. Direct appropriations provided for 243 FTE's, while reimbursement funds provided for 36 FTE's. Below is the employee distribution based on funded positions on the organization chart by department, location, and funding source.



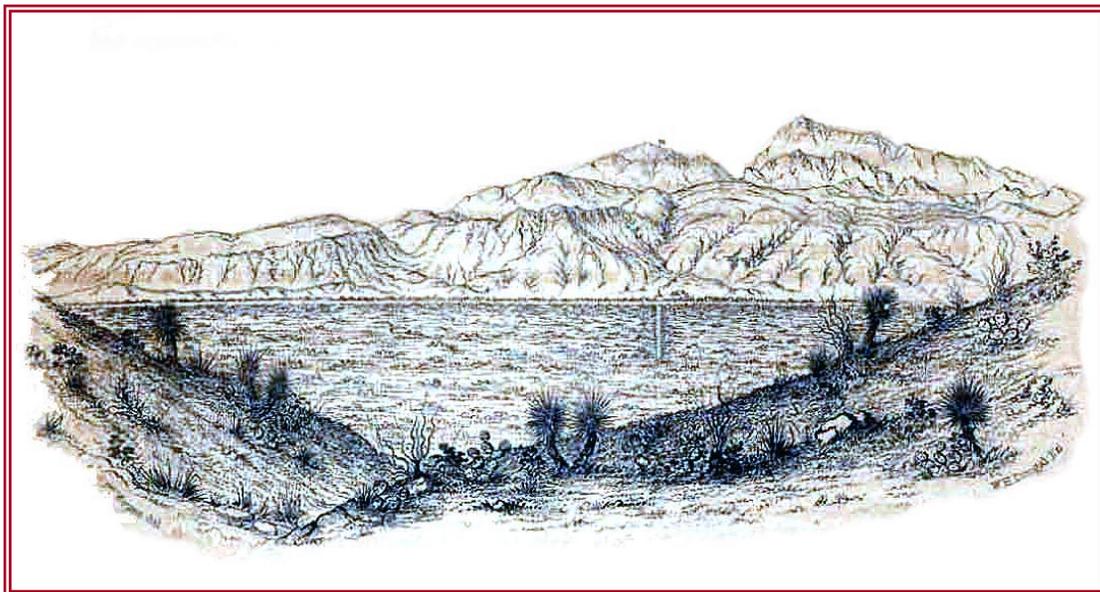
HISTORY

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***

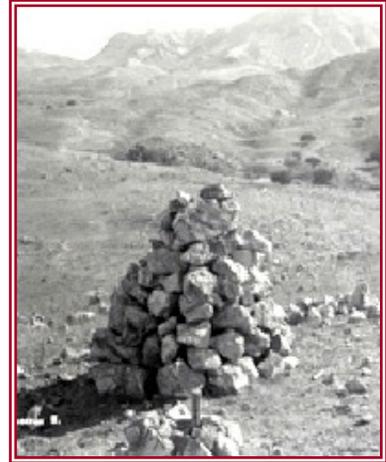
*This map illustrates the land that the U.S. acquired from Mexico as a result of the Guadalupe Hidalgo Treaty of 1848 (blue), and the Gadsden Treaty of 1853 (red).*



***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 31° 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.*

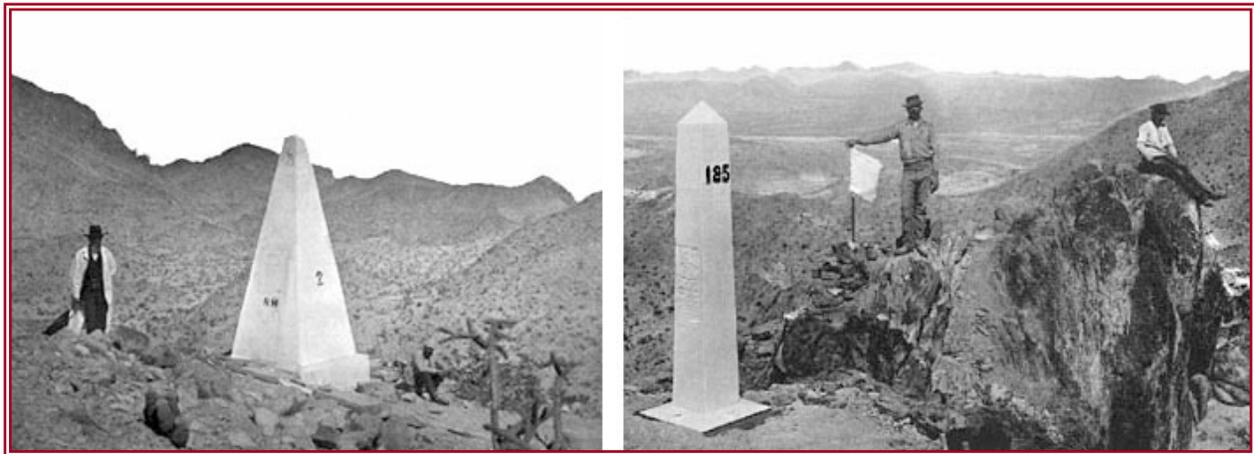
As the settlements grew along the Rio Grande and Colorado River in the late 1800's, settlers began developing adjoining lands for agriculture. In the late Nineteenth Century, questions arose as to the location of the boundary and the jurisdiction of lands when the boundary rivers changed their course 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**

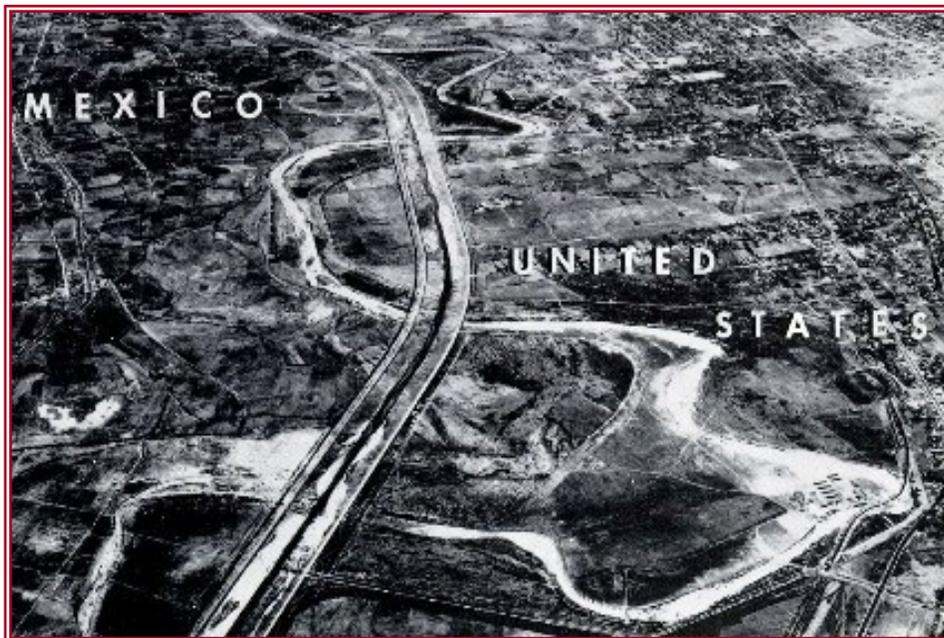
*Stone and iron monuments were erected during the resurvey expedition in the early 1890's to demarcate the international boundary. Monument No. 2 (left), composed of stone, was set at the summit of the Mulero Mountains known today as Mount Cristo Rey, in Sunland Park, New Mexico adjacent to El Paso, 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.

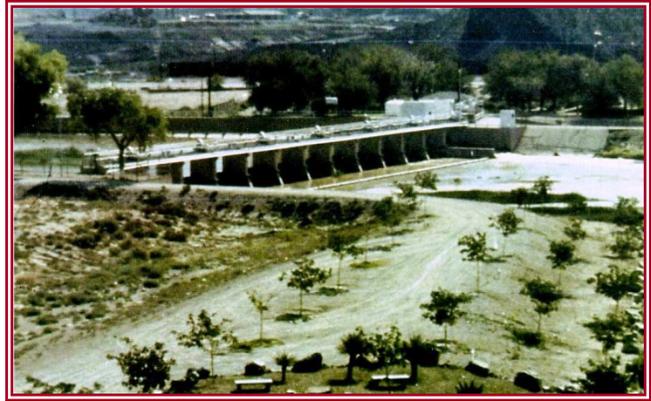
Historically, the Rio Grande was a meandering stream carrying heavy sediment loads through and below the El Paso – Juárez Valley. Channel aggrading occurred due to the flat gradient and low flow velocities, and during flood flows a new channel often formed on lower ground. In the late 1920's, the IBC 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**

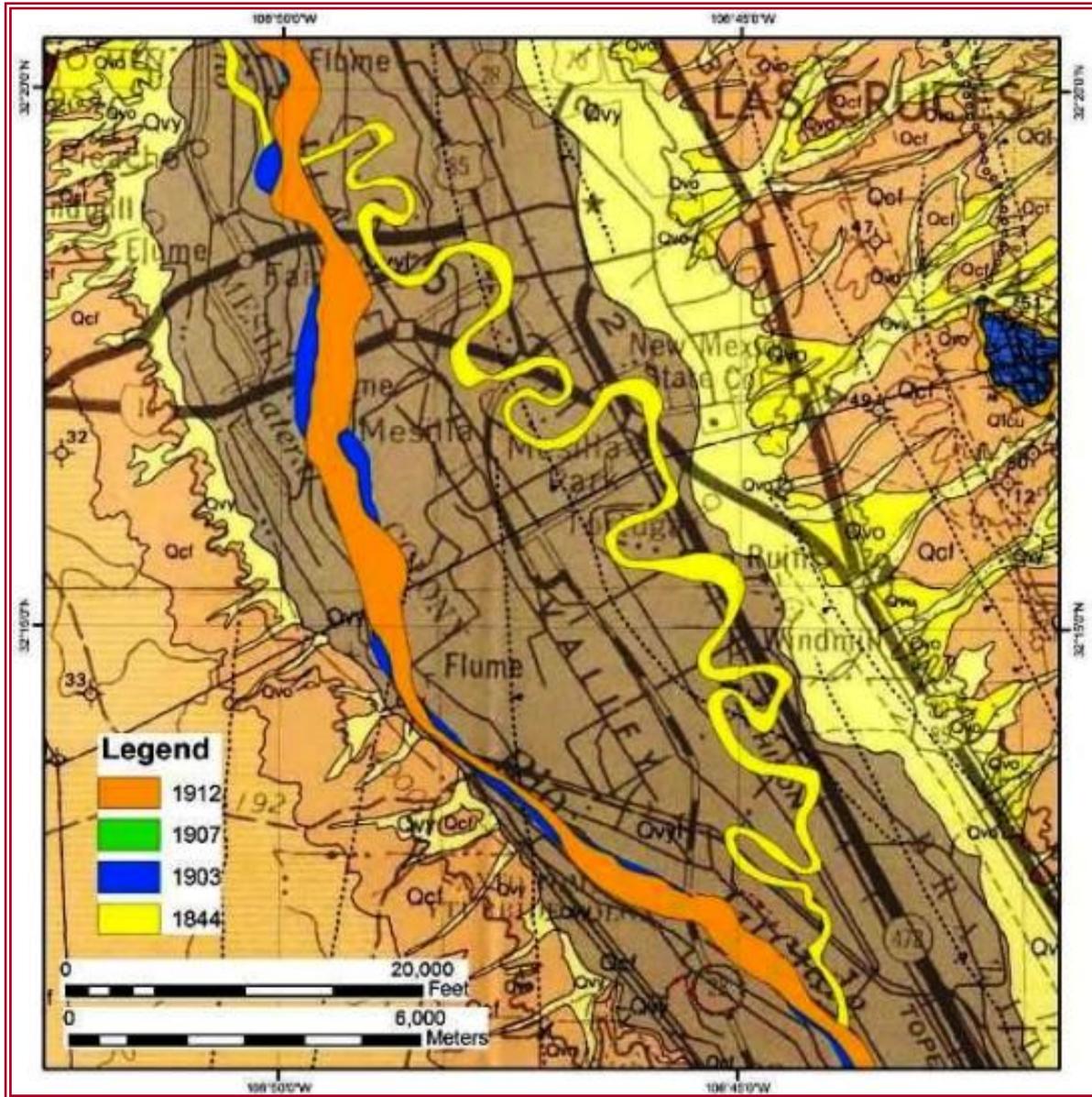
*View of American Diversion Dam in El Paso, Texas, which diverts Rio Grande waters allocated to the U.S. under the Convention of 1906.*



**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 cubic feet per second to 250,000 cubic feet per second 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.

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 was built in 1963 to 1969, and the U.S. and Mexican power plant facilities were constructed from 1980 and 1987.



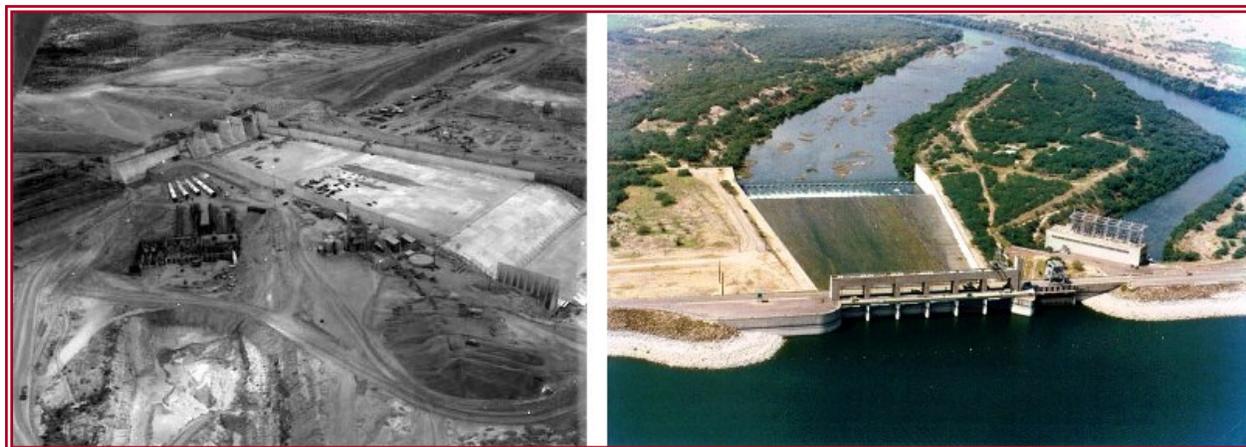
**Lower Rio Grande U.S. Main Floodway**

*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.*



***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.)*

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.



***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 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 U.S. Section continued working with the Mexican Section to produce updated aerial photographic mosaic maps delineating the international boundary formed by the Rio Grande, Colorado River, and ground monuments established by Treaty along the southern border of California, Arizona, and New Mexico. The aerial imagery of the Colorado River and land boundaries was collected in 2012, the aerial imagery of the Rio Grande boundary was collected in 2014. Near-final draft maps are currently under review by both the U.S. and Mexican Sections. Any disagreements or shifts in the location of the boundary line will be addressed in accordance with the provisions set forth in 1970 Treaty.

To maintain the international Rio Grande boundary in Hudspeth County, Texas located in the Upper Rio Grande region, the U.S. Section restored approximately two (2) miles of the U.S. riverbank between Fort Quitman, Texas and the McClintock Arroyo. The agency also repainted and replaced demarcation markers (buttons) at five (5) International Bridge Ports of Entry in Texas.<sup>[1]</sup> The agency did not require restoration or repairs on any of the 138 international land boundary monuments along the Arizona border, which are the responsibility of the U.S. Section.

Plan

In FY 2020, the U.S. and Mexican Sections will continue to jointly work to address changes in the Rio Grande and Colorado River boundaries in accordance with the 1970 Treaty. The Commission will also continue to inspect and refurbish accessible international land boundary on the Arizona border that need restoration. It will continue to make a reasonable effort to maintain all boundary plaques and pavement markers at all border ports of entry. In addition, the agency will also inspect and maintain the buoys and markers, which identify the jurisdictional line at Amistad and Falcon International Reservoirs.

The Commission hopes to jointly finalize a new set of updated aerial maps of the United States and Mexico international boundary. The U.S. Section will continue to work diplomatically with the Mexican Section to resolve all international boundary issues.

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<sup>[1]</sup> The U.S. Section performed demarcation work at the 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 CONVEYANCE 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. With 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 agency regularly operated and maintained its hydrologic gaging stations, cableways, and gaging station access roads to support the binational flood operations and accounting of river

waters of the Rio Grande and Colorado Rivers pursuant to the Convention of 1906 and the 1944 Water Treaty. Maintenance of gaging infrastructure consists of repair and or replacement of equipment components and sensors, as well as firmware and software updates to the database management and operational water accounting systems.

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 and floodplain system improvements in the Upper and Lower Rio Grande regions, the agency accomplished the following construction work below.

<b>Flood Control System</b>	<b>Rio Grande Levee Improvement Segments</b>	<b>Percent Complete<sup>[2]</sup></b>	<b>Distance (Miles)</b>
Upper Rio Grande	Flood Control Improvements at Edinburg Pumphouse	100%	0.03
<b>Subtotal - Completed Construction:</b>			<b>0.03</b>
Upper Rio Grande	Sunland Park, NM West Levee (Phase I) Improvements	0%	2.8
Upper Rio Grande	Vado, NM West Floodplain Improvements	0%	0.5
<b>Subtotal - Initiated or On-going Construction:</b>			<b>3.3</b>

The agency maintained the capacities of its Rio Grande Flood Control Systems by mowing vegetation on the floodplain and levee slopes. Over the last few years, annual mowing requirements have increased. Flowage easements, which were previously being used to farm or graze livestock, must be mowed to sustain the necessary flood flow capacities. Vegetation clearing targets were not met this year, because resources were reallocated to respond to other competing requirements such as the removal of sediment from river channel and arroyo confluences. The table below provides the agency's annual mowing targets and actual accomplishments.

<b>Vegetation Management Floodplain and Levee Mowing</b>			
<b>Flood Control System</b>	<b>Annual Target (Acres)</b>	<b>Actual Totals (Acres)</b>	<b>Percent Accomplished</b>
Upper Rio Grande	11,559	4,788	41.4%
Presidio Valley	1,200	1,132	94.3%
Lower Rio Grande	11,250	5,670	50.4%
<b>Totals:</b>	<b>24,009</b>	<b>11,590</b>	<b>48.3%</b>

In addition to mowing, the U.S. Section maintained its Rio Grande Flood Control Systems by re-grading levees, resurfacing the levee road (crown of the levee), and removing accumulated sediment from the channel, arroyo confluences, and structures to sustain proper drainage and conveyance conditions. The agency also inspected drainage and irrigation structures crossings

<sup>[2]</sup> Refers to substantially complete; when an asset can be placed into use.

its levees, which it is responsible to maintain, and performed necessary maintenance if needed.<sup>[3]</sup> The table below summarizes the accomplishments.

<b>Flood Control System</b>	<b>Sediment Removal (Cubic Yards)</b>	<b>Levee Grading (Miles)</b>	<b>Levee Resurfacing (Miles)</b>
Upper Rio Grande – Canalization <sup>[4]</sup>	292,116	195	25
Upper Rio Grande – Rectification <sup>[5]</sup>	130,683	0	0
Presidio Valley	22,000	12	10
Lower Rio Grande – River Floodway	0	90	0
Lower Rio Grande – Interior Floodways <sup>[6]</sup>	30,000	130	35
<b>Totals:</b>	<b>452,799</b>	<b>427</b>	<b>70</b>

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 operate and perform scheduled maintenance on all its diversion and storage dams on the Rio Grande. The Commission also completed the Amistad Dam Safety Modification Study, which explored and assessed various seepage remediation alternatives to resolve the existing sinkholes problem occurring on the embankment and foundation of the dam. Both the U.S. and Mexican Sections are in the process of reviewing the final report and determining the most viable remediation option. The agency also continued its operation and maintenance of the Amistad and Falcon Hydroelectric Power Plants.

The U.S. Section continued its design and construction efforts to replace the deteriorated American Canal, 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. The canal is subdivided into the three segments – upper, middle and lower segments.<sup>[7]</sup> Replacement of the canal can only be performed during the non-irrigation season, which typically extends from mid-October to mid-February. Construction has begun on both the upper and lower canal segments. Construction of upper segment is about 95% complete. However, the lower segment was approximately 20% complete when the construction was halted to revise the design to facilitate maintenance

<sup>[3]</sup> There are 80 levee-crossing structures in Upper Rio Grande, and 600 levee-crossing structures in the Lower Rio Grande.

<sup>[4]</sup> 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.

<sup>[5]</sup> 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.

<sup>[6]</sup> The Interior Floodways consist of the Main Floodway, North Floodway, and Arroyo Colorado.

<sup>[7]</sup> Each segment of the American Canal is approximately 0.5-mile in length.

activities. The revised design of the lower canal segment and the design of middle segment are both about 95% complete.

The agency also continued the engineering and design work for a 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 design is expected by December 2019.

The agency continued to renovate, improve, replace and make security improvements to 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 its new Falcon Administration Building, which replaced three old building housing the administration, hydro-laboratory, and security functions at the field office. In addition, the agency completed security enhancement projects consisting of lighting, access controls, surveillance cameras systems, and fencing improvements at the Upper and Lower Rio Grande Field Office facilities.

### 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 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 will also continue to renovate, secure, improve and 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.

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. 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 9,091.5 million gallons of sewage, equating to an average of 24.9 million gallons per day (MGD), from the city of Tijuana, Baja California at the SBIWTP, which is within Mexico's allotted capacity of 25 MGD. The agency also treated 4, 853.6 million gallons of sewage, or an average of 13.3 MGD, from the city of Nogales, Sonora at the NIWTP. This was 1,240.1 million gallons,

or 3.4 MGD above Mexico's allotted capacity of 9.9 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 NLIWTP treated a total of 6,251 million gallons for a daily average flow of 17.1 MGD.

The agency upgraded the river gaging system in the Tijuana River near the international boundary to better detect low flows entering the United States during the dry season, which are an indicator of wastewater flows. Sensors were installed with near real-time information that is posted to the IBWC web site. This provides a more automatic system that is less dependent on notifications of transboundary wastewater flows from Mexican officials.

The U.S. Section continued working with Mexico, the City of Nogales, the State of Arizona, and other stakeholders 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. The agency completed the design in June 2018 and is currently working on obtaining the necessary easements and agreements it will need to begin construction.

### 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, secure, improve, and 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. Lastly, the agency plans to obtain the necessary easements, agreements, and initiate construction of the improvements to rehabilitate the Nogales Trunkline and IOI.

STRATEGIC GOAL 4 – RESOURCE AND ASSET MANAGEMENT

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

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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.
- **The 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 agency continued its advancement towards FISMA compliance this year by achieving a renewal of our Authority to Operate designation for our General Support System. The agency also completed IT system upgrades by transitioning from an older Novell network operating system to Microsoft Active Directory, which provides improved security controls and better user accessibility. The transition included moving our email platform from GroupWise to Exchange servers and Outlook clients. All employees were issued a license for Microsoft Office 365, which permitted the agency to implement secure cloud services for file-sharing among employees, as well as expanding employees' abilities to connect to resources remotely on government issued devices.

Cyber-security improvements realized this year also includes the implementation of BitLocker encryption for agency issued laptops and compliance with the hardening of our email security controls mandated by DHS. This included implementing Sender Policy Framework and Domain Keys Identified Mail, which allow a sending domain to effectively "watermark" their emails, making unauthorized emails (e.g., spam, phishing email) easy to detect. We continued working with the Department of Homeland Security (DHS) and achieved the implementation of Phase 2 Continuous Diagnostics and Monitoring (CDM) services, allowing DHS to scan our environment for vulnerabilities in real time and upload our Cybersecurity status to their federal dashboard. The U.S. Section also upgraded our McAfee ePolicy Orchestrator, enabling enhanced features and improving our deployed McAfee clients on all workstations and laptops. The agency also completed annual requirements for Annual Cybersecurity training and included quarterly Phishing exercises to test our employees' ability to identify and prevent attacks via email.

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.

The agency conducted its annual personal property inventory. All capitalized assets were properly identified and accounted for on the inventory. The agency is also working on updating the personal property directive to include new internal controls, which will ensure that assets are disposed of in a proper and timely manner. These controls will also ensure that data entered into the Department of State's property management system is accurate, and that movement of assets are initiated and updated efficiently.

The U.S. Section moved its headquarters to another facility, which provides more effective office areas and layouts to support work requirements and facilitate coordination among organizational units that regularly interact with one and other. The new facility includes an updated internal network and data center and has better physical security and cybersecurity controls. Our headquarters facility supports all boundary and water mission objectives.

The agency completed an internal audit of the capital project management program, which evaluated controls and provided recommendations for improving the administration and execution of capital projects. In addition, the agency also initiated an internal audit to evaluate the dam operations and maintenance program for all of its dams on the Rio Grande. These audits are instrumental in identifying weaknesses and implementing updated policies, procedures, and management controls to reduce risks to ensure that these programs are managed and operated effectively and in a compliant manner.

## Plan

The agency will continue the strict application of FISMA System security standards to all of our IT Systems. The U.S. Section plans to earn a renewed Authority to Operate (ATO) designation for our Supervisory Control and Data Acquisition (SCADA) systems at the South Bay and Nogales International Wastewater Treatment Plants before the end of FY 2020. The agency will also continue with improvements and upgrades to its SCADA system and components at the Nogales International Wastewater Treatment Plant, keeping it in compliance with FISMA and upgrading existing infrastructure to automate existing wastewater treatment processes. Furthermore, the U.S. Section will also be implementing continuous monitoring, configuration management, remote access and incident response and reporting capabilities within those systems to continue to improve our Cybersecurity capabilities at all our system locations.

The U.S. Section will continue to utilize federally-compliant cloud services, 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 utilize Office 365 services such as SharePoint, for collaborating binational data between the U.S. and Mexican Sections. The agency is also striving to

**International Boundary and Water Commission, United States Section**

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electronically map all parcels owned or leased by the U.S. Section and provide “point and click” documentation within our GIS.

The U.S. Section will continue to examine and update all internal controls, policies and procedures to ensure compliance with all applicable laws, regulations and federal policies. The agency will conduct internal audits of its programs and processes to identify vulnerabilities and develop measures to reduce risks to federal resources and assets. It will continue to address all legal and compliance related issues and submit required compliance reports.

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.

**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 Williams, Adley and Company.

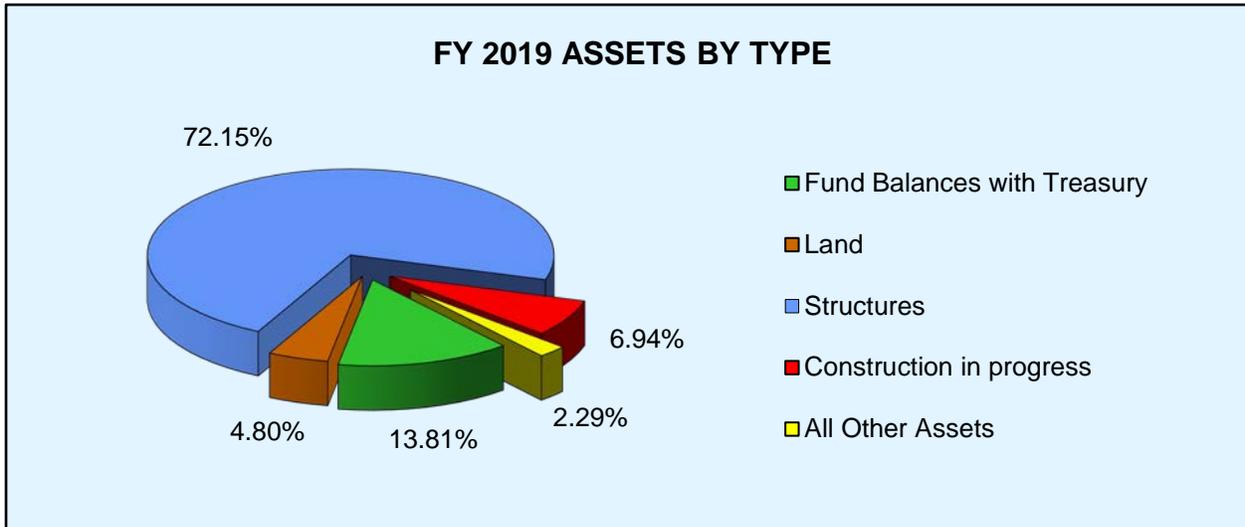
FINANCIAL HIGHLIGHTS

**CONSOLIDATED BALANCE SHEET DATA  
AS OF SEPTEMBER 30, 2019 (CY) AND 2018 (PY)**  
(Dollars in Thousands)

	<u>FY 2019</u> <u>(CY)</u>	<u>FY 2018</u> <u>(PY)</u>	<u>Net</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>ASSETS</b>				
Fund balance with treasury	\$ 145,670	\$ 147,221	\$ (1,551)	(1.1%)
Accounts receivable, net	10,645	9,781	865	8.8%
Land	50,619	50,395	224	0.4%
Structures, net	760,965	769,368	(8,403)	(1.1%)
Construction in progress	73,219	58,947	14,271	24.2%
Equipment, net	9,312	10,230	(918)	(9.0%)
Internal Use Software	4,221	3,493	729	20.9%
Other assets	0	3	(3)	(100.0%)
<b>Total assets</b>	<b>\$ 1,054,651</b>	<b>\$ 1,049,437</b>	<b>\$ 5,214</b>	<b>0.5%</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,013	\$ 354	\$ 659	186.4%
Contract Accruals	3,179	6,617	(3,438)	(52.0%)
Accrued Payroll	992	900	93	10.3%
Accrued Workers Compensation	1,087	1,154	(67)	(5.8%)
Workers Compensation Actuarial	4,908	4,949	(41)	(0.8%)
Accrued Annual Leave	1,493	1,405	88	6.2%
Estimated cleanup cost liability	3,166	3,064	103	3.3%
Other Liabilities	979	354	625	176.4%
<b>Total Liabilities</b>	<b>\$ 16,818</b>	<b>\$ 18,798</b>	<b>\$ (1,980)</b>	<b>(10.5%)</b>

ASSETS

The U.S. Section had total assets of \$1.05 billion at year-end FY 2019, which is \$5.21 million more than in FY 2018. The increase is the result of capitalized construction costs from the completion of various improvements. During the period, the Fund Balance with Treasury decreased by \$1.55 million, and Construction in Progress increased by \$14.27 million. The increase in Construction in Progress is due to the award or modification of contracts for construction or improvement of water conveyance, flood control, wastewater treatment, physical security, and building improvement projects or modifications.



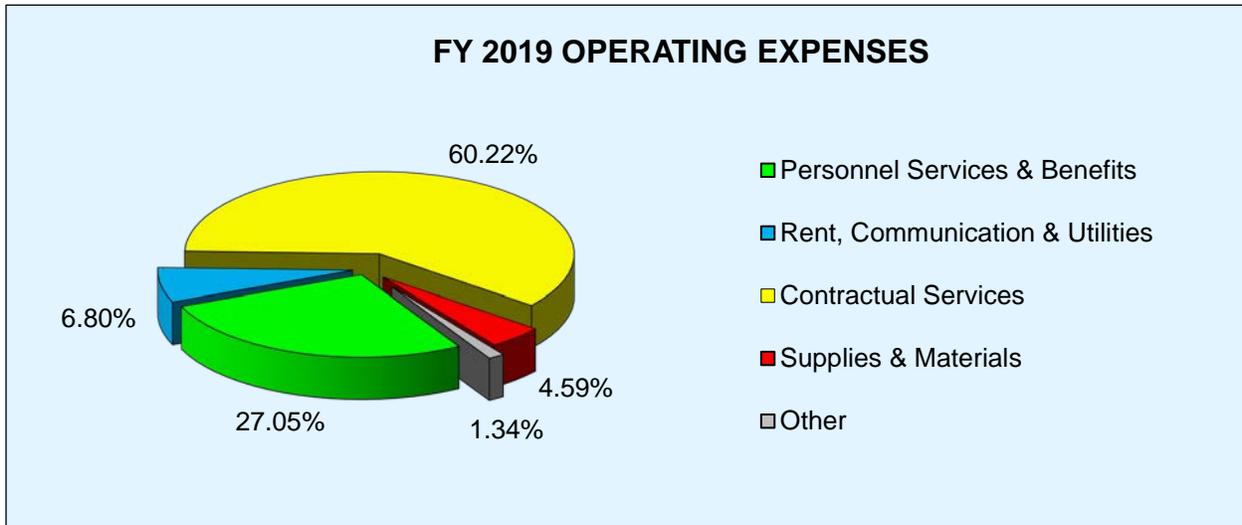
**RESULTS OF OPERATIONS**

The Consolidated Statement of Net Cost provides the net results of operations.

<b>STATEMENT OF NET COST</b>		
<b>FOR THE YEARS ENDED SEPTEMBER 30, 2019 (CY) and 2018 (PY)</b>		
	<b>FY 2019 (CY)</b>	<b>FY 2018 (PY)</b>
<b>PROGRAM COSTS</b>		
Operating Expenses	\$ 73,388,187	\$ 77,936,826
Operating Expenses, Intragovt.	3,905,020	3,626,937
Benefits Expenses	5,885,307	6,097,558
<b>Subtotal</b>	<b>\$ 83,178,514</b>	<b>\$ 87,661,321</b>
Depreciation	\$ 27,257,883	\$ 26,207,013
Accrued, Annual Leave	87,561	(41,714)
Workers Compensation	(108,431)	(2,945,869)
Accrued Imputed Costs	0	0
Accrued Pension Costs	1,810,545	1,622,023
Capitalized Costs Offset	(31,494,990)	(35,674,177)
Interest Expense	3,396	7,255
Future funded expenses	102,519	111,240
Loss on Disposition of Equipment	(3,619)	51,523
<b>Total Program Costs</b>	<b>\$ 80,833,378</b>	<b>\$ 76,998,615</b>
<b>LESS EARNED REVENUE</b>		
Interest and Penalties	\$ (799)	\$ (68,119)
Safety of Dams	0	(1,158,279)
O&M Wastewater Treatment Plants	(4,485,744)	(4,443,900)
Power Plant O&M - DOE	(3,509,007)	(3,977,914)
Department of Labor	(607)	(157)
City of Nogales	(1,101,766)	(888,419)
Clean Rivers Project - Texas	(261,692)	(225,407)
Other Revenue	(25,776)	1
Quarters Rental	(77,709)	(90,407)
Leases/Licenses	(166,653)	(69,240)
O&M Cordova Bridge	(6,000)	(6,000)
Surety	(108,485)	0
Morillo Drain O&M - LRGWC	(43,295)	(263,736)
O&M Anzalduas Dam Stoplogs	(38,315)	(4,418)
Water Bulletins/FOIA/Scrap Metal/Other	(153)	(2,764)
Contra Revenue - Nogales	0	0
<b>Total Earned Revenue</b>	<b>\$ (9,826,001)</b>	<b>\$ (11,198,759)</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 71,007,377</b>	<b>\$ 65,799,856</b>

Below are a table and a graph, summarizing the agency's operating expenses. Operating expenses decreased \$4.48 million from \$87.66 million in FY 2018 to \$83.18 million in FY 2019.

<b>ANNUAL OPERATING EXPENSE DATA</b>				
<b>AS OF SEPTEMBER 30, 2019 (CY) AND 2018 (PY)</b>				
(Dollars in Thousands)				
	<u>FY 2019</u>	<u>FY 2018</u>	<u>Net</u>	<u>Percent</u>
	<u>(CY)</u>	<u>(PY)</u>	<u>Change</u>	<u>Change</u>
<b>ANNUAL OPERATING EXPENSES</b>				
Personnel services & benefits	\$ 22,500	\$ 24,267	\$ (1,767)	(7.3%)
Travel & transportation costs	1,091	977	114	11.7%
Rent, communication & utilities	5,655	8,644	(2,989)	(34.6%)
Printing & reproduction	4	10	(5)	(54.5%)
Contractual services	50,090	50,500	(410)	(0.8%)
Supplies & materials	3,819	3,211	608	18.9%
Grants & miscellaneous	<u>18</u>	<u>52</u>	<u>(34)</u>	<u>(64.5%)</u>
<b>Total annual operating expenses</b>	<b>\$ 83,179</b>	<b>\$ 87,661</b>	<b>\$ (4,482)</b>	<b>(5.1%)</b>

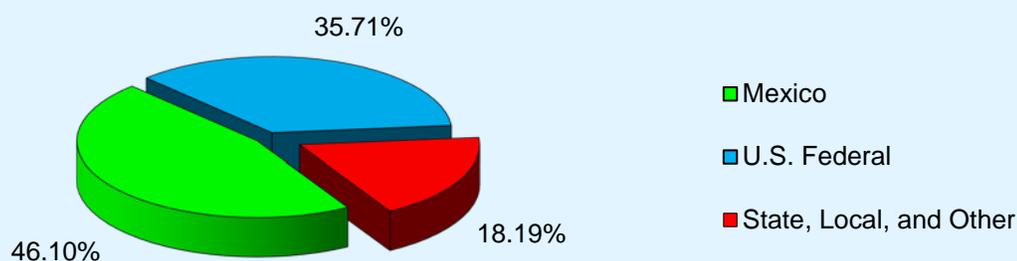


**REVENUES AND FINANCING SOURCES**

The U.S. Section received \$9.83 million in revenues for FY 2019. This was a decrease of \$1.37 million versus the FY 2018 revenues of \$11.20 million. The U.S. Department of Energy contributed \$3.51 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 with \$4.53 million provided to the U.S. Section for the operation and maintenance of the international wastewater treatment plants, evaluation and improvement of international dams, and other joint works. Revenues received are summarized below.

<b>REVENUE &amp; FINANCING SOURCES</b>				
<b>AS OF SEPTEMBER 30, 2019 (CY) AND 2018 (PY)</b>				
<b>(Dollars in Thousands)</b>				
	<b>FY 2019</b>	<b>FY 2018</b>	<b>Net</b>	<b>%</b>
	<b>(CY)</b>	<b>(PY)</b>	<b>Change</b>	<b>Change</b>
<b>FINANCING SOURCES</b>				
Dept. of Energy (O&M of Power Plants)	\$ 3,509	\$ 3,978	\$ (469)	(11.8%)
Mexico (O&M of SBIWTP)	2,719	2,424	295	12.2%
Mexico (O&M of NIWTP)	1,767	2,020	(253)	(12.5%)
Contra Revenue - Nogales				100.0%
Mexico (Safety of Dams)		1,158	(1,158)	(100.0%)
City of Nogales (O&M of NIWTP)	1,102	888	213	24.0%
Other Mexico Payments	44	274	(230)	(83.8%)
State of Texas (Clean Rivers Project)	262	225	36	16.1%
Other Sources	423	231	193	83.6%
<b>Total financing sources</b>	<b>\$ 9,826</b>	<b>\$ 11,199</b>	<b>\$ (1,373)</b>	<b>(12.3%)</b>

**FY 2019 REVENUE AND FINANCING SOURCES**

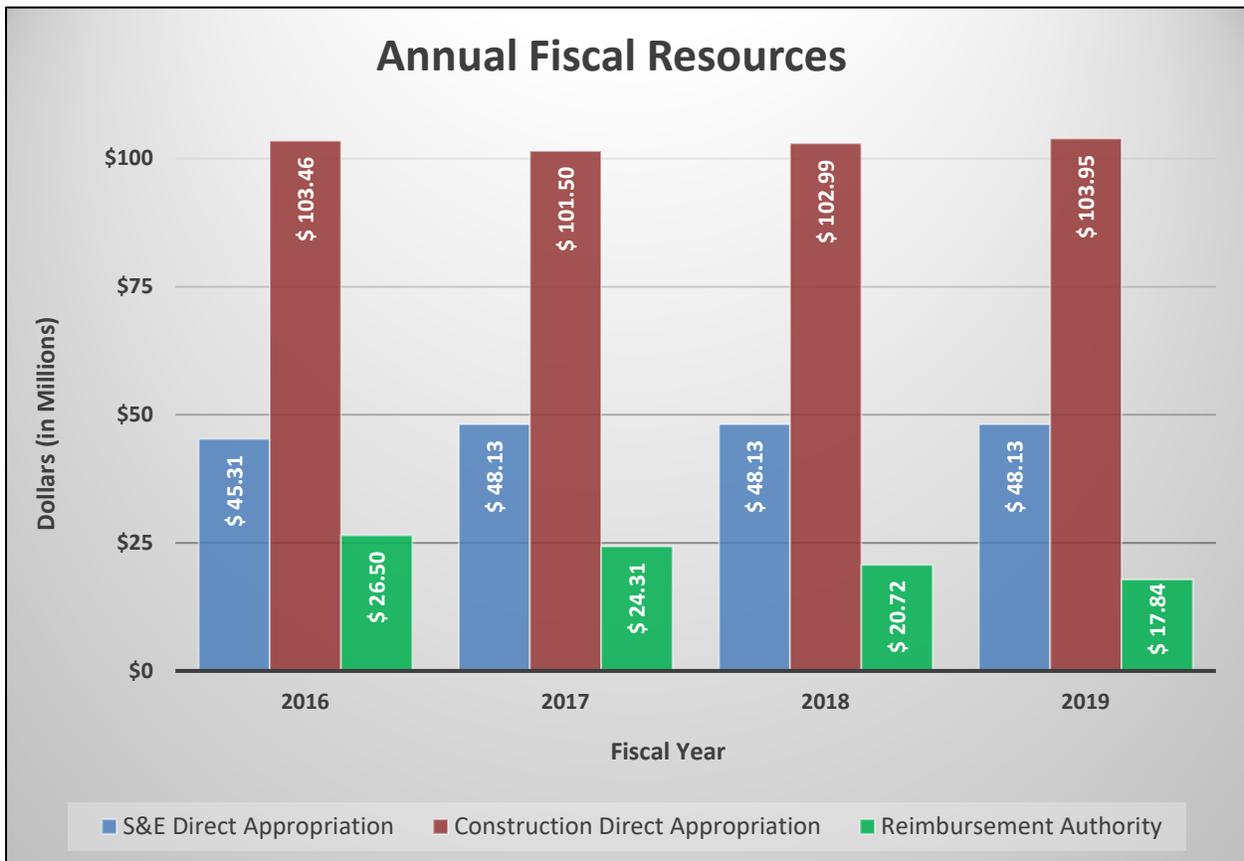


BUDGET INFORMATION

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.

Total funding available to the U.S. Section over the last four years is shown on the chart below. Direct construction funding totals consist of annual construction appropriations in addition to authorized carryover of prior year funds.

-  FY 2016: \$ 175.27 Million
-  FY 2017: \$ 173.94 Million
-  FY 2018: \$ 171.84 Million
-  FY 2019: \$ 169.92 Million



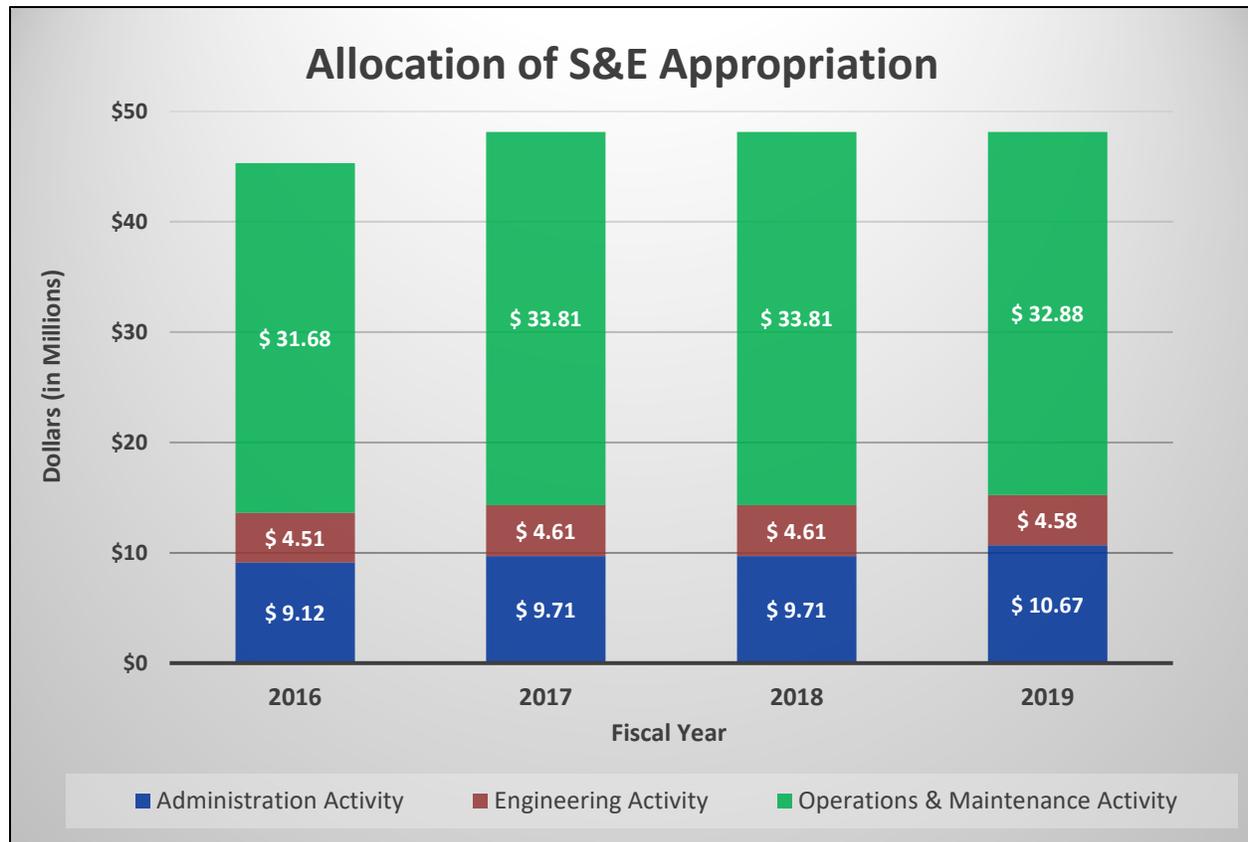
SALARIES AND EXPENSES APPROPRIATION

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 2016: \$ 45.31 Million
- ✚ FY 2017: \$ 48.13 Million
- ✚ FY 2018: \$ 48.13 Million
- ✚ FY 2019: \$ 48.13 Million

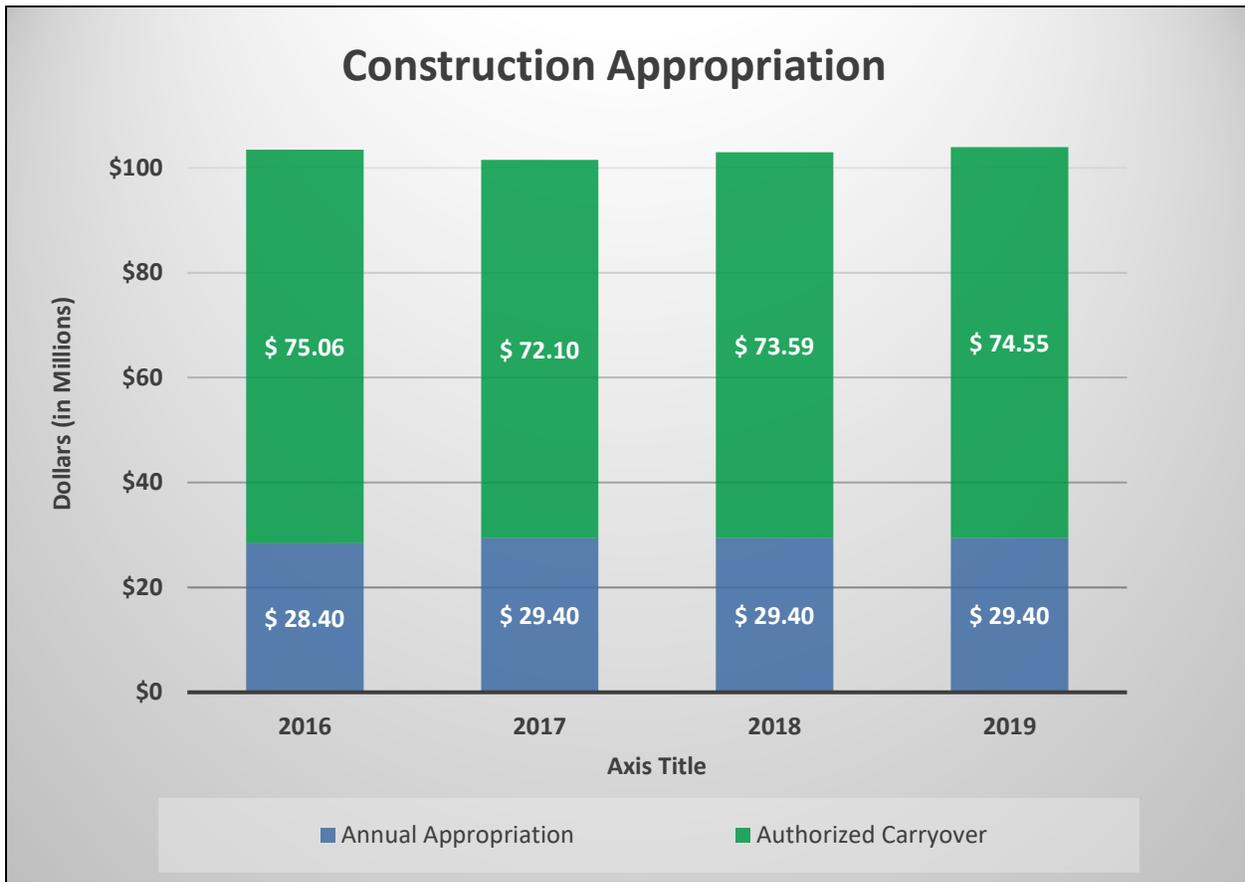


CONSTRUCTION APPROPRIATION

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 projects in support of the agency’s mission. No-year funds remains available until expended. Thus, any unused construction funds at the end of the fiscal year are carried over and available for obligation the following fiscal year.

Construction Direct Appropriation:

- ✚ FY 2016: \$ 103.46 Million
- ✚ FY 2017: \$ 101.50 Million
- ✚ FY 2018: \$ 102.99 Million
- ✚ FY 2019: \$ 103.95 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:

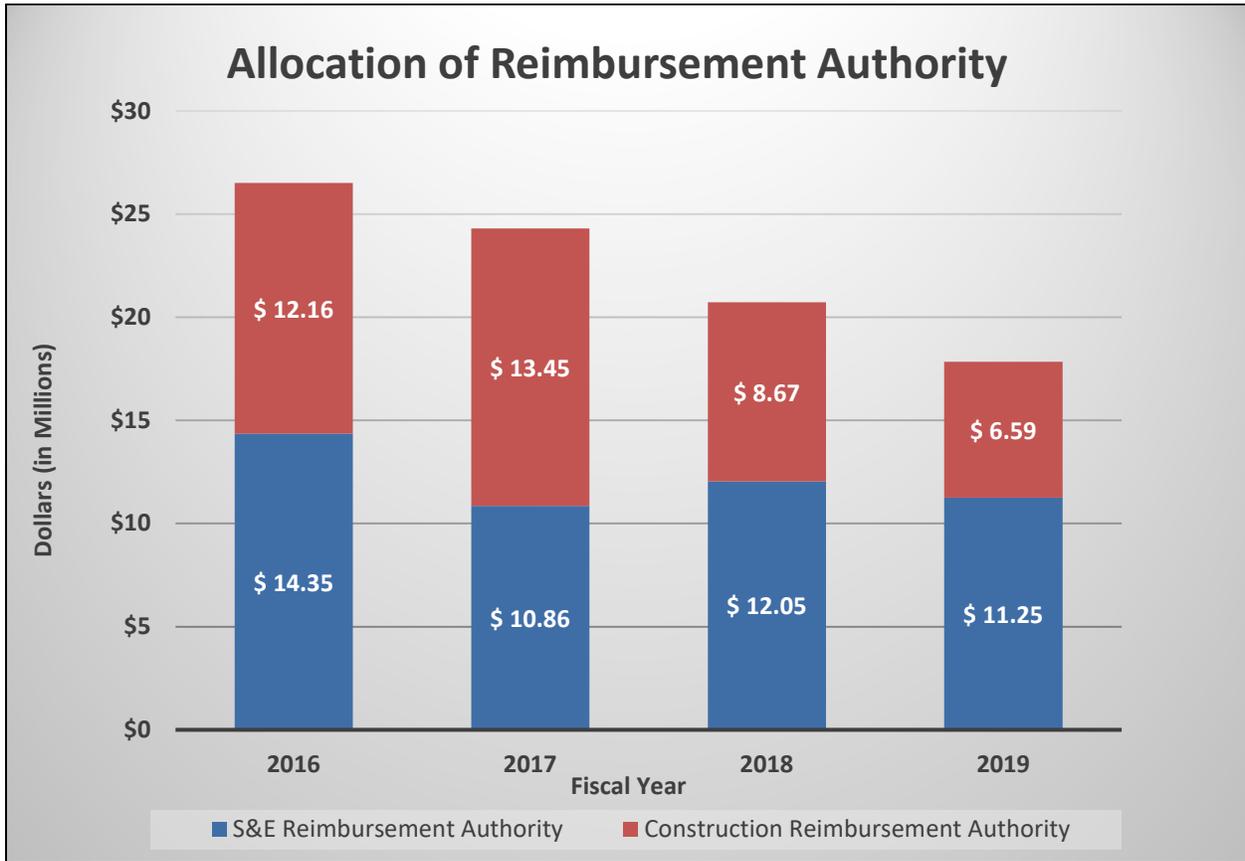
- Mexican Section – for purchases and expenses applied to Mexico for operation and maintenance of international wastewater treatment plants, power plants, and dams.
- State of Texas – to sample and assess the water quality of the Rio Grande at established sites under the Texas Clean Rivers Program.
- 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 30.5% of the allotted authority in FY 2016, to a high of 86.1% of the allotted authority in FY 2019. 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<sup>[8]</sup>:

 FY 2016:	\$ 26.51 Million
 FY 2017:	\$ 24.31 Million
 FY 2018:	\$ 20.72 Million
 FY 2019:	\$ 17.84 Million

<sup>[8]</sup> In accordance with the Allotments Authority Documents issued to the U.S. Section by the Department of State.



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.

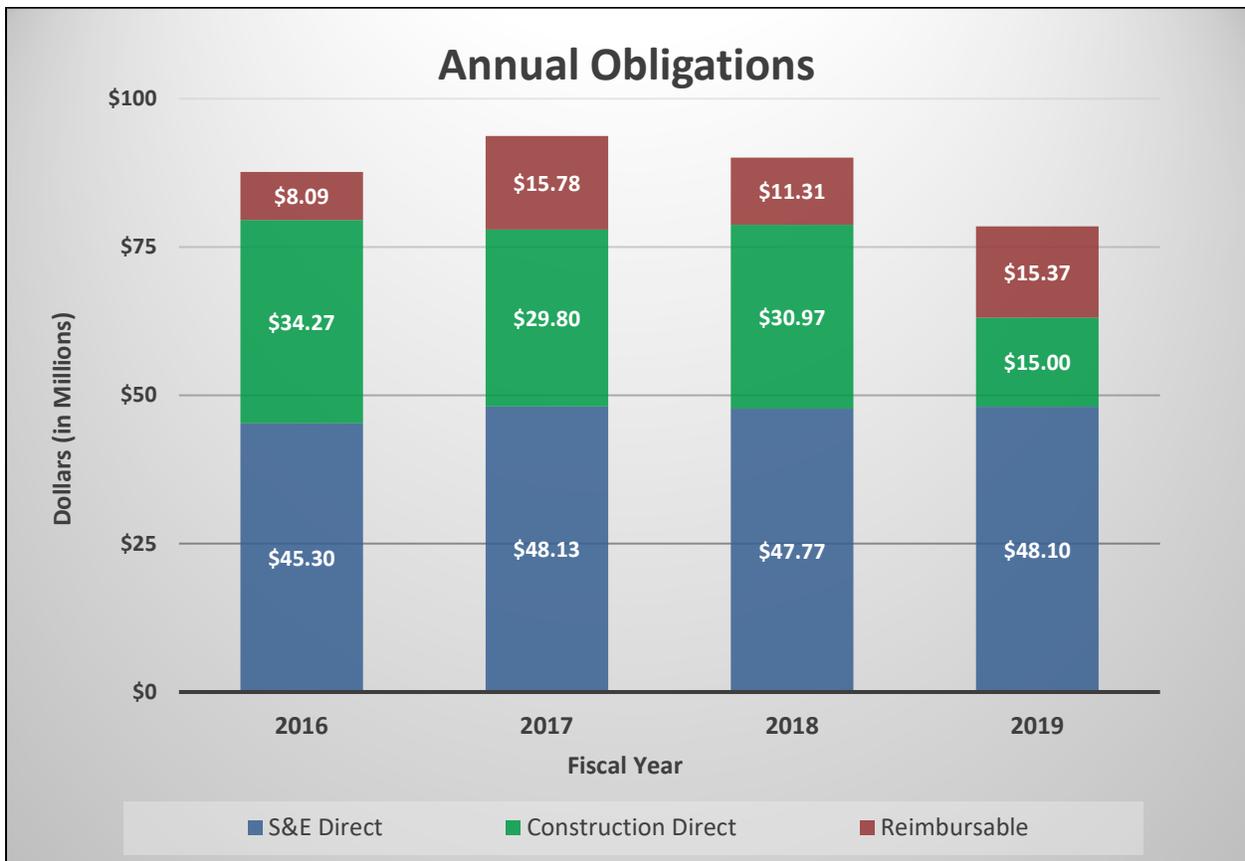
**International Boundary and Water Commission, United States Section**

- 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<sup>[9]</sup>:**

✚	FY 2016:	\$ 87.66 Million
✚	FY 2017:	\$ 93.71 Million
✚	FY 2018:	\$ 90.05 Million
✚	FY 2019:	\$ 78.47 Million



<sup>[9]</sup> As reported on SF 133, "Report on Budget Execution and Budgetary Resources" FY 2016, FY 2017, FY 2018 and FY 2019.

The graphs below illustrate the application and distribution of annual fiscal resources among the agency’s Strategic Goals to meet mission requirements over the last four years. Annual changes among the different goals are primarily due to the award of new contracts for construction, improvement or acquisition of capital assets.

**Annual Obligations among Strategic Goals**



**Strategic Goals:**

- Goal 1: Boundary Preservation
- Goal 2: Water Conveyance
- Goal 3: Water Quality
- Goal 4: Resource and Asset Management

**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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**SECTION 2 – FINANCIAL SECTION**



**FINANCIAL  
SECTION**

**INDEPENDENT FINANCIAL AUDIT**

The independent certified public accounting firm of Williams, Adley and Company - P.C., LLP (Williams Adley) performed the audit of the U.S. Section's financial statements for the fiscal year ending as of September 30, 2019. The independent certified public accounting firm of Kearney and Company, P. C. (Kearney) audited the agency's financial statements for the prior fiscal year ending as of September 30, 2018. These audits were conducted in accordance with accounting principles generally accepted in the United States of America, Office of Management and Budget audit guidance, the Council of the Inspectors General on Integrity and Efficiency, and the U.S. Government Accountability Office's Financial Audit Manual (FAM) and the Federal Information System Controls Audit Manual (FISCAM). Williams Adley was also contracted to evaluate and report on internal control over financial reporting and perform tests of compliance with provisions of laws, regulations, and contracts related to the annual financial statements.

Included below is the following documentation associated with the independent financial audit for FY 2019:

- Statement of Assurance Letter dated October 3, 2019 from the Commissioner to the U.S. Secretary of State, which provides reasonable assurance for the effective management of internal controls.
- Audit Report Transmittal Letter dated February 19, 2020 from the Inspector General to the Commissioner.
- Independent Financial Audit Report prepared by Williams Adley on January 24, 2020.
- Management Letter dated February 12, 2020 from the Commissioner to the Assistant Inspector General responding to the recommendations of the Financial Audit.

STATEMENT OF ASSURANCE



OFFICE OF THE COMMISSIONER  
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION  
UNITED STATES AND MEXICO

October 3, 2019

The Honorable Michael Pompeo  
Secretary of State  
Washington, D.C. 20520

Dear Mr. Secretary:

As Commissioner of the U. S. International Boundary and Water Commission (USIBWC), I am cognizant of the importance of management controls and managing risks. I have taken the necessary measures to assure that an evaluation of the systems of management control of USIBWC 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 USIBWC in effect during the period October 1, 2018, through August 31, 2019, taken as a whole, provide reasonable assurance that the referenced management control objectives were achieved.

I, as Commissioner of the USIBWC, have effectively communicated to the USIBWC employees the importance of ethical behavior and appropriate business practices verbally, as well

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as through other sources (e.g., written memorandums, Department policies and regulations, topic related websites, and training courses).

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 USIBWC, 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 USIBWC 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<sup>1</sup> amounts of potential fraud or material amounts of actual fraud affecting the USIBWC.

I am aware of the requirements for ensuring that adequate controls are in place over the USIBWC's real and personal property. I attest that personal property assets, including capitalized assets, at USIBWC have been inventoried during FY 2019, reconciled, certified and reported to the Chief Administrative Officer, since USIBWC 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 reporting, which includes safeguarding of assets, obligations and costs complying with applicable laws and regulations, and revenues and expenditures being recorded accurately. The USIBWC conducted its assessment of the effectiveness of the USIBWC's internal control over reporting in accordance with OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*.

Sincerely yours,



Jayne Harkins, P.E.  
Commissioner

<sup>1</sup> 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 6 of the Guidance for the FY 2018 Statement of Assurance Process document for further information.

**International Boundary and Water Commission, United States Section**

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**FY 2019 FMFIA Internal Management Control Reviews**

**Bureau: IBWC**

<b>Review Name</b> Assessable unit reviewed (could be program, organization, function or location)	<b>Point-of-Contact(POC)</b> (name of person responsible for the review)	<b>Results by category of weakness noted.</b> (list only significant deficiencies or material weaknesses and subject matter)
Operations Internal Controls	Daniel Avila, P.E. Operations	No significant deficiencies noted.
Security Operations Risk Assessment	Aaron Haynes, Security Officer	No significant deficiencies noted.
Validation of Correspondence to Mexico; translations; interpretations; Track payments to and from Mexico.	Sally Spener, FAO	No significant deficiencies noted.
Personal Property Reconciliations-ILMS	Z Mora, Property Manager/Diana Forti, CAO	No significant deficiencies noted.
Fleet Reviews and Reporting	Zenon Mora, Property Manager	No significant deficiencies noted.
Ethics - confidential financial disclosures	Matt Myers, General Counsel	No significant deficiencies noted.
Planning, Programming, Budgeting & Execution	Albert Moehlig, Budget Officer Diana Forti, CAO	No significant deficiencies noted.
Agency Annual Internal Controls Assessments	Jayne Harkins, Commissioner; Diana Forti, CAO; Daniel Avila, P.E. Operations; Jose Nunez, P.E. Engineering	No significant deficiencies noted.
Capital Project Planning/ Initiation/ Execution;	Albert Moehlig, Budget Officer Vivian Gonzalez, Master Planning	No significant deficiencies noted.
Reconciliation of Appropriations between Advice of Allotment & GFMS Allotments	Albert Moehlig, Budget Officer	No significant deficiencies noted.
Federal Procurement Data System- Next Generation (FPDS-NG) Review	Diana Forti, CAO	No significant deficiencies noted.
Accounts Payable - billings for leases, contract estimates, imputed costs process,	Dorinda Morgan, Accounting Officer	No significant deficiencies noted.

**International Boundary and Water Commission, United States Section**

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<b>Review Name</b> Assessable unit reviewed (could be program, organization, function or location)	<b>Point-of-Contact(POC)</b> (name of person responsible for the review)	<b>Results by category of weakness noted.</b> (list only significant deficiencies or material weaknesses and subject matter)
Workers Comp Liability, Cash receipt process, IPAC transactions and credit card payments.		
Reviews of Unliquidated Obligations	Dorinda Morgan, FAD	No significant deficiencies noted.
Annual FISMA Compliance	Diana Forti, CIO Zenon Mora, IMD Chief	No significant deficiencies noted.
IT Security Assessments	Zenon Mora, IMD Chief	No significant deficiencies noted.
Agency wide review of permanent records 30 years old+ per OMB-12-18/NARA	Zenon Mora, Information Management/RMO	No significant deficiencies noted.
Verification of IT Security Rules of Behavior (in place for all employees)	Zenon Mora, IMD Chief	No significant deficiencies noted.
Reviews of active IT network accounts.	Zenon Mora, IMD Chief	No significant deficiencies noted.
Quarterly Real Property Reviews and Certifications	Dorinda Morgan, Accounting Officer	No significant deficiencies noted.
Environmental Compliance Reviews (NEPA, Migratory Bird Treaty Act Surveys, Clean Water Act, Endangered Species Act, Treaty Minutes, State of Texas Clean River Program)	Gilbert Anaya, Chief EMD	No significant deficiencies noted.
Engineering design reviews, project management, project inspections.	Dr. Padinare Unnikrishna, Engineering Services Division Chief	No significant deficiencies noted.
Real Property annual review; processing leasing, licensing, and permitting requests for use of government property	John Claudio, Realty Specialist and Frankie Pinon, Realty Specialist	No significant deficiencies noted.
Annual Audits	Irasema Medina, Auditor	No significant deficiencies noted.
Ammo & weapons accountability review; personal property; PERSEC review; HSPD-12; purchase card; and budget.	Aaron Haynes, Security Officer	No significant deficiencies noted.

**International Boundary and Water Commission, United States Section**

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<b>Review Name</b> Assessable unit reviewed (could be program, organization, function or location)	<b>Point-of-Contact(POC)</b> (name of person responsible for the review)	<b>Results by category of weakness noted.</b> (list only significant deficiencies or material weaknesses and subject matter)
Background Investigation procedures for SBIWTP Contractor personnel and Security and adjudicator training standards	Aaron Haynes, Security Officer	No significant deficiencies noted.
Annual field office safety inspections	Mario Castro, Safety Officer	No significant deficiencies noted.
Reviews of weekly field office reports; annual safety inspections, flood workshops with Mexico, dam safety reports; review of expenses for Nogales and Laredo treatment plants;	Daniel Avila, P. E. Operations	No significant deficiencies noted.
Annual telemetry and cableway inspections; gage level survey; annual flood workshop; annual interagency meeting; QA/QC review of field water records; metering schedules; daily water operations	William Finn, Water Accounting Chief	No significant deficiencies noted.
Amistad Dam and Power-plant inspections; facility safety inspection; demarcation inspection; flood workshop; annual key inventory; daily dam distress inspections; weekly emergency equipment inspections;	Elsayyid Ibrahim, Amistad Area Operations Manager	No significant deficiencies noted.
Purchase Card Program monthly statement and annual credit card holder reviews	Carmella Speer, Supv Contracting Officer/Angelica Baca, Purchasing Agent	No significant deficiencies noted.
South Bay International Wastewater Treatment Plant Regulatory Compliance Reviews	Daniel Avila, San Diego Project Manager	No significant deficiencies noted.

**International Boundary and Water Commission, United States Section**

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<b>Review Name</b> Assessable unit reviewed (could be program, organization, function or location)	<b>Point-of-Contact(POC)</b> (name of person responsible for the review)	<b>Results by category of weakness noted.</b> (list only significant deficiencies or material weaknesses and subject matter)
Tijuana River levee inspection report and Levee Inspection	Carlos Pena, San Diego Project Manager	No significant deficiencies noted.
Nogales International Wastewater Treatment Plan	Daniel Avila, P. E. Operations	No significant deficiencies noted.

TRANSMITTAL OF AUDIT REPORT



Office of Inspector General  
United States Department of State

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February 19, 2020

The Honorable Jayne Harkins, 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 Harkins:

An independent external auditor, Williams, Adley & Company-DC, LLP (Williams Adley), was engaged to audit the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of September 30, 2019, and for the year 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 report *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2019 Financial Statements (AUD-FM-20-22)*, Williams Adley found

- the financial statements as of and for the fiscal year ended September 30, 2019, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- no material weaknesses<sup>1</sup> in internal control over financial reporting;
- one significant deficiency<sup>2</sup> in internal control over financial reporting, specifically in the area of information technology; and
- no reportable noncompliance with laws, regulations, and contracts.

<sup>1</sup> 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.

<sup>2</sup> 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.

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Williams Adley is responsible for the enclosed auditor's report, which includes the Report on the Financial Statements, the Report on Internal Control Over Financial Reporting, and the Report on Compliance With Laws, Regulations, and Contracts, dated January 24, 2020, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on USIBWC's 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 Williams Adley by USIBWC managers and staff during this audit.

Sincerely,



Norman P. Brown  
Assistant Inspector General for Audits

Enclosure: As stated.

cc: WHA/MEX – Dan Sainz  
Williams, Adley & Company-DC, LLP – Kolawole A. Isiaq

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FINANCIAL STATEMENTS AUDIT



**Independent Auditor's Report  
AUD-FM-20-22**

United States Commissioner  
International Boundary and Water Commission, United States and Mexico, U.S. Section

Inspector General  
U.S. Department of State

In our audit of the FY 2019 financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), we found:

- USIBWC's financial statements as of and for the fiscal year ended September 30, 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;<sup>1</sup> and
- no reportable noncompliance for FY 2019 with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>2</sup> and other information included with the financial statements;<sup>3</sup> (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, and contracts; and (4) agency comments.

**Report on the Financial Statements**

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we have audited USIBWC's financial statements. USIBWC's financial statements

<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A 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.

<sup>2</sup> The RSI consists of Management Discussion and Analysis, Deferred Maintenance and Repair, and the Combining Statement of Budgetary Resources.

<sup>3</sup> Other Information consists of Table of Contents, Performance Information, the Summary of Financial Statement Audit, and Management Assurances.

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants / Management Consultants*

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comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

USIBWC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting Other Information included in documents containing the audited financial statements and auditor's report and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, USIBWC's financial statements present fairly, in all material respects, USIBWC's financial position as of September 30, 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior Year Financial Statements

USIBWC's financial statements as of and for the year ended September 30, 2018, were audited by other auditors whose Independent Auditor's Report dated December 21, 2018, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the basic financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

USIBWC's Other Information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on USIBWC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

**Report on Internal Control over Financial Reporting**

In connection with our audit of USIBWC's financial statements, we considered USIBWC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to USIBWC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USIBWC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of USIBWC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered USIBWC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of USIBWC's internal control over financial reporting. Accordingly, we do not express an opinion on USIBWC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies<sup>4</sup> or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of USIBWC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in Appendix I, our audit identified one deficiency in control over IT that represents a significant deficiency in USIBWC's internal control over financial reporting. We considered this significant deficiency, which was also reported in the other auditors' FY 2018 audit report, in determining the nature, timing, and extent of our audit procedures on USIBWC's FY 2019 financial statements.

Although the significant deficiency in internal control did not affect our opinion on USIBWC's FY 2019 financial statements, misstatements may occur in unaudited financial information reported internally and externally by USIBWC because of this significant deficiency.

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<sup>4</sup> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our assessment of the current status of prior year significant deficiencies is presented in Appendix II.

In addition to the significant deficiency, we identified other control deficiencies in USIBWC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant USIBWC's management's attention. We have communicated these matters to USIBWC management and, where appropriate, will report on them separately.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of USIBWC's internal control over financial reporting and the results of our procedures and not to provide an opinion on the effectiveness of USIBWC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

**Report on Compliance with Laws, Regulations, and Contracts**

In connection with our audit of USIBWC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USIBWC management is responsible for complying with laws, regulations, and contracts applicable to USIBWC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, and contracts applicable to USIBWC that have a direct effect on the determination of material amounts and disclosures in USIBWC's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to USIBWC.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to USIBWC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts and the results of that testing and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering

compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

**Agency Comments**

In commenting on a draft of this report, USIBWC provided a written response, which is presented in Appendix III. We did not audit USIBWC's response, and accordingly, we express no opinion on the response.

*Williams, Arley & Company-DC, LLP*

Washington, District of Columbia  
January 24, 2020

**Appendix I**  
**Significant Deficiency in Internal Control**

**I. Information Technology**

The International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), uses key information systems maintained by the Department of State, including general support systems and applications for accounting, budget execution, procurement, and logistics. The Department of State is responsible for maintaining an adequate information security program over these systems. The Department of State's general support system, a component of its information security program, is the gateway for all Department of State's systems, including 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.

In accordance with the Federal Information Security Modernization Act of 2014 (FISMA),<sup>1</sup> the Office of Inspector General (OIG) is responsible for the audit of the Department of State's information security program. In the FY 2019 FISMA report,<sup>2</sup> OIG reported security weaknesses that significantly impacted the Department of State's information security program. Specifically, OIG reported weaknesses in all eight FY 2019 Inspector General FISMA metric domains: risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. OIG reported the following:

“The deficiencies identified with the information security program occurred for several reasons. For example, the Department [of State] has not completed the development and implementation of an information security risk management strategy and filled allocated resource positions to support the implementation of a Department-wide information security risk management strategy. Furthermore, the Department [of State] has not maintained a complete and accurate organization-wide information system inventory.”

Without an effective information security program, the Department of State remains vulnerable to IT-centered attacks and threats to its critical mission-related functions. 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 increase the risk that USIBWC will be unable to report financial data accurately.

The weakness reported by OIG as a result of the FISMA audit is considered to be a significant deficiency within the scope of our financial statement audit. Weaknesses in IT security controls have been reported as a significant deficiency in each audit since the audit of USIBWC's FY 2012 financial statements.

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<sup>1</sup> Federal Information Security Modernization Act of 2014, Public L No. 113-283, 128 Stat. 3079-3080 (December 18, 2014).

<sup>2</sup> OIG, *Audit of the Department of State Information Security Program* (AUD-IT-20-04, October 2019).

**Appendix II  
Status of Prior Year Significant Deficiencies**

Our assessment of the current status of prior year findings reported by other auditors is presented below.

<b>Prior Year Finding</b>	<b>Current Year Status</b>
<b>Control Significant Deficiencies</b>	
Manual Preparation of the Financial Statements	Closed <sup>a</sup>
Obligation Validity and Accuracy	Closed <sup>b</sup>
Information Technology	Open and repeated in the FY 2019 Audit Report

<sup>a</sup> We determined that the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), implemented procedures to analyze, determine, and correct differences and document journal vouchers to support the adjustments and that management reviewed and approved all adjustments in FY 2019.

<sup>b</sup> We determined that USIBWC implemented procedures to review and monitor obligation validity and accuracy. The deficiencies identified during the audit were less significant than in prior years. We have communicated the finding to USIBWC and will report on it separately.

MANAGEMENT'S RESPONSE TO AUDIT REPORT



OFFICE OF THE COMMISSIONER  
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION  
UNITED STATES AND MEXICO, U. S. Section

February 12, 2020

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

Dear Mr. Brown:

We acknowledge receipt of the Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), 2019 Financial Statements dated February 6, 2020. Thank you for the opportunity to provide comments on the draft report. Below please find our comments to the audit recommendation. We have no suggested revisions to the draft report. Please advise if you have any questions or if we may be of any assistance.

Sincerely,

A handwritten signature in blue ink that reads "Jayne Harkins".

Jayne Harkins  
Commissioner

**Independent Auditor's Report on the International Boundary and Water  
Commission, United States and Mexico, U.S. Section,  
AUD-FM-20-XX**

**I. Information Technology**

The International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) uses key information systems maintained by the Department of State, including general support systems and applications for accounting, budget execution, procurement, and logistics. The Department of State is responsible for maintaining an adequate information security program over these systems. The Department of State's general support system, a component of its information security program, is the gateway for all Department of State's systems, including 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.

In accordance with the Federal Information Security Modernization Act of 2014 (FISMA),<sup>1</sup> the Office of the Inspector General (OIG) is responsible for the audit of the Department of State's information security program. In the FY 2019 FISMA report,<sup>2</sup> OIG reported security weaknesses that significantly impacted the Department of State's information security program. Specifically, OIG reported weaknesses in all eight FY 2019 Inspector General FISMA metric domains: risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. OIG reported the following:

“The deficiencies identified with the information security program occurred for several reasons. For example, the Department [of State] has not completed the development and implementation of an information security risk management strategy and filled allocated resource positions to support the implementation of a Department-wide information security risk management strategy. Furthermore, the Department [of State] has not maintained a complete and accurate organization-wide information system inventory.”

Without an effective information security program, the Department of State remains vulnerable to IT-centered attacks and threats to its critical mission-related functions. 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 increase the risk that USIBWC will be unable to report financial data accurately.

The weakness reported by OIG as a result of the FISMA audit is considered to be a significant deficiency within the scope of our financial statement audit. Weaknesses in IT security controls have been reported as a significant deficiency in each audit since the audit of USIBWC's FY 2012 financial statements.

**Management Response:**

The USIBWC management agrees with this recommendation. Management is fully aware of the inherit risk associated with the use of the Department's financial and other systems accessed via the Department of State's Global OpenNet (GO) portal. In an effort to mitigate the inherit risk, more frequent and more in-depth reviews and reconciliations will continue to be conducted by the divisions that rely on financial, contracting, and asset management systems to perform their respective missions. In addition, we will continue to work closely with the Department's systems management officials to stay current on pertinent systems IT security related matters.

## 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 2019 and FY 2018 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 Resources* 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).

**International Boundary and Water Commission, United States Section**

**BALANCE SHEET**

<b>BALANCE SHEETS</b>		
<b>AS OF SEPTEMBER 30, 2019 (CY) AND 2018 (PY)</b>		
	<b>FY 2019</b>	<b>FY 2018</b>
	<b>(CY)</b>	<b>(PY)</b>
<b>ASSETS</b>		
Intragovernmental:		
Fund balance with treasury (Note 2)	\$ 145,669,914	\$ 147,220,560
Accounts receivable, net (Note 3)	235,329	282,930
Total Intragovernmental	145,905,243	147,503,490
Cash and other monetary assets	0	0
Accounts receivable, net (Note 3)	10,410,121	9,497,751
Advances	0	3,459
Property, plant, and equipment, net (Note 4)	898,335,982	892,432,384
<b>Total assets</b>	<b>\$ 1,054,651,346</b>	<b>\$ 1,049,437,084</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accrued payroll	\$ 233,184	\$ 230,062
Accounts payable	0	0
Accrued workers compensation (Note 6)	1,086,733	1,154,174
Workers compensation actuarial (Note 6)	4,908,378	4,949,368
Contract accruals	177,689	117,909
Total intragovernmental	6,405,984	6,451,513
Accounts payable	1,012,899	353,687
Contract accruals	3,001,727	6,499,584
Accrued payroll	758,950	669,449
Accrued annual leave	1,493,024	1,405,464
Advances	363,946	303,462
Deposit accounts	(2,900)	50,848
Estimated cleanup cost liability (Note 7)	3,166,079	3,063,560
Contingent liabilities	618,091	0
<b>Total liabilities</b>	<b>\$ 16,817,800</b>	<b>\$ 18,797,567</b>
<b>NET POSITION</b>		
Unexpended appropriations - all other funds	\$ 174,487,602	\$ 166,210,814
Cumulative results of operations - all other funds	863,345,944	864,428,703
<b>Total net position</b>	<b>\$ 1,037,833,546</b>	<b>\$ 1,030,639,517</b>
<b>Total liabilities &amp; net position</b>	<b>\$ 1,054,651,346</b>	<b>\$ 1,049,437,084</b>
*** The accompanying notes are an integral part of these statements. ***		

STATEMENT OF NET COST

<b>STATEMENT OF NET COST</b>		
<b>FOR THE YEARS ENDED SEPTEMBER 30, 2019 (CY) AND 2018 (PY)</b>		
<b>Strategic Goal</b>	<b>FY 2019</b>	<b>FY 2018</b>
	<b>(CY)</b>	<b>(PY)</b>
<b>Boundary Preservation</b>		
Total cost	\$ 534,706	\$ 778,055
Earned revenue	<u>(244,362)</u>	<u>(159,646)</u>
Net program cost	290,344	618,409
<b>Water Conveyance Operations</b>		
Total cost	34,957,322	33,450,532
Earned revenue	<u>(3,730,878)</u>	<u>(5,410,346)</u>
Net program cost	31,226,444	28,040,186
<b>Water Quality Management</b>		
Total cost	28,743,110	32,787,844
Earned revenue	<u>(5,849,202)</u>	<u>(5,557,727)</u>
Net program cost	22,893,908	27,230,117
<b>Resource &amp; Asset Management</b>		
Total cost	16,598,240	9,982,184
Earned revenue	<u>(1,559)</u>	<u>(71,040)</u>
Net program cost	16,596,681	9,911,144
<b>Net cost of operations</b>	<b><u>\$ 71,007,377</u></b>	<b><u>\$ 65,799,856</u></b>
<i>*** The accompanying notes are an integral part of these statements. ***</i>		

**STATEMENT OF CHANGES IN NET POSITION (CY)**

<b>STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2019 (CY)</b>				
	<b>Funds from Dedicated Collections FY 2019 (CY)</b>	<b>All Other Funds FY 2019 (CY)</b>	<b>Eliminations FY 2019 (CY)</b>	<b>Consolidated Total FY 2019 (CY)</b>
<b>Cumulative Results of Operations:</b>				
Beginning balances	\$ 0	\$ 864,428,703	\$ 0	\$ 864,428,703
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning balances, adjusted	0	864,428,703	0	864,428,703
<b>Budgetary Financing Sources:</b>				
Other adjustments	0	0	0	0
Appropriations used	0	68,281,677	0	68,281,677
Non-Exchange revenue	0	0	0	0
Transfers in/out	0	(167,604)	0	(167,604)
<b>Other Financing Sources (Non-Exchange):</b>				
Donations of property	0	0	0	0
Imputed financing	0	1,810,545	0	1,810,545
Net cost of operations	0	(71,007,377)	0	(71,007,377)
Net change	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cumulative Results of Operations</b>	<b>\$ 0</b>	<b>\$ 863,345,944</b>	<b>\$ 0</b>	<b>\$ 863,345,944</b>
<b>Unexpended Appropriations:</b>				
Beginning balance	\$ 0	\$ 166,210,814	\$ 0	\$ 166,210,814
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning balance, adjusted	0	166,210,814	0	166,210,814
<b>Budgetary Financing Sources:</b>				
Appropriations received	0	77,534,000	0	77,534,000
Other adjustments	0	(975,535)	0	(975,535)
Appropriations used	<u>0</u>	<u>(68,281,677)</u>	<u>0</u>	<u>(68,281,677)</u>
Total budgetary financing sources	0	8,276,788	0	8,276,788
<b>Total Unexpended Appropriations</b>	<b>\$ 0</b>	<b>\$ 174,487,602</b>	<b>\$ 0</b>	<b>\$ 174,487,602</b>
<b>Net Position</b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,037,833,546</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,037,833,546</u></b>

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

**STATEMENT OF CHANGES IN NET POSITION (PY)**

<b>STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2018 (PY)</b>				
	<b>Funds from Dedicated Collections FY 2018 (PY)</b>	<b>All Other Funds FY 2018 (PY)</b>	<b>Eliminations FY 2018 (PY)</b>	<b>Consolidated Total FY 2018 (PY)</b>
<b>Cumulative Results of Operations:</b>				
Beginning balances	\$ 0	\$ 856,833,108	\$ 0	\$ 856,833,109
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning balances, adjusted	0	856,833,108	0	856,833,108
<b>Budgetary Financing Sources:</b>				
Other adjustments	0	0	0	0
Appropriations used	0	76,003,244	0	76,003,244
Non-Exchange revenue	0	0	0	0
Transfers in/out	0	(466,953)	0	(466,953)
<b>Other Financing Sources (Non-Exchange):</b>				
Donations of property	0	0	0	0
Imputed financing	0	(2,140,840)	0	(2,140,840)
Net cost of operations	0	(65,799,856)	0	(65,799,856)
Net change	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cumulative Results of Operations</b>	<b>\$ 0</b>	<b>\$ 864,428,703</b>	<b>\$ 0</b>	<b>\$ 864,428,703</b>
<b>Unexpended Appropriations:</b>				
Beginning balance	\$ 0	\$ 165,779,692	\$ 0	\$ 165,779,692
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Beginning balance, adjusted	0	165,779,692	0	165,779,692
<b>Budgetary Financing Sources:</b>				
Appropriations received	0	77,534,000	0	77,534,000
Other adjustments	0	(1,099,634)	0	(1,099,634)
Appropriations used	<u>0</u>	<u>(76,003,244)</u>	<u>0</u>	<u>(76,003,244)</u>
Total budgetary financing sources	0	431,122	0	431,122
<b>Total Unexpended Appropriations</b>	<b>\$ 0</b>	<b>\$ 166,210,814</b>	<b>\$ 0</b>	<b>\$ 166,210,814</b>
<b>Net Position</b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,030,639,517</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,030,639,517</u></b>

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

**STATEMENT OF BUDGETARY RESOURCES**

<b>STATEMENT OF BUDGETARY RESOURCES AS OF SEPTEMBER 30, 2019 (CY) and 2018 (PY)</b>					
	<b>Budgetary 2019 (CY)</b>	<b>Non- Budgetary 2019 (CY)</b>	<b>Budgetary 2018 (PY)</b>	<b>Non- Budgetary 2018 (PY)</b>	
<b>BUDGETARY RESOURCES:</b>					
1051 Unoblig Balance PY Budget Auth	\$ 109,977,477	\$ 0	\$ 111,256,202	\$ 0	
1290 Appropriations	77,534,000	0	77,534,000	0	
1490 Borrowing Authority	0	0	0	0	
1690 Contract Authority	0	0	0	0	
1890 Spending Auth from Offsetting Coll	<u>10,604,200</u>	<u>0</u>	<u>9,264,208</u>	<u>0</u>	
1910 Total Budgetary Resources	\$ 198,115,677	\$ 0	\$ 198,054,410	\$ 0	
<b>STATUS OF BUDGETARY RESOURCES:</b>					
2190 New obligations and upward adjustments	\$ 79,675,906	\$ 0	\$ 91,170,398	\$ 0	
Unobligated Bal End of Year:					
2204 Apportioned	\$ 96,505,284	\$ 0	\$ 94,024,738	\$ 0	
2304 Exempt from Apportionment	0	0	0	0	
2404 Unapportioned	11,640,368	0	4,944,742	0	
2412 Unexpired unobligated balance, end of year	108,145,652	0	98,969,480	0	
2413 Expired unobligated balance, end of year	10,294,119	0	7,914,532	0	
2490 Total Unoblig Bal, End of Year	<u>118,439,771</u>	<u>0</u>	<u>106,884,012</u>	<u>0</u>	
2500 Total Budgetary Resources	\$ 198,115,677	\$ 0	\$ 198,054,410	\$ 0	
<b>BUDGET AUTHORITY &amp; OUTLAYS, NET:</b>					
4190 Outlays, Net	\$ 78,055,363	\$ 0	\$ 78,318,101	\$ 0	
4200 Distributed Offsetting Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
4210 Agency Outlays, Net	\$ 78,055,363	\$ 0	\$ 78,318,101	\$ 0	

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 and the asset has a useful life of two (2) or more years. Expenditures that increase the useful life of an asset by two or more years are also capitalized. Normal maintenance and repairs 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 (FICA). 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, 2019 and 2018 is provided below.

	<u>FY 2019</u>	<u>FY 2018</u>
Status of Fund Balances with Treasury		
Unobligated Balance		
Available	\$ 108,145,652	\$ 98,969,480
Unavailable	10,294,119.00	7,914,532.00
Obligated Balance not yet Disbursed	27,233,043.19	40,285,700.00
Non-Budgetary FBWT	<u>(2,900.36)</u>	<u>50,848.00</u>
<b>Total</b>	<b>\$ 145,669,914</b>	<b>\$ 147,220,560</b>

**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, 2019 and 2018:

	<u>FY 2019</u>	<u>FY 2018</u>
Intra-Governmental Receivables		
Accounts Receivable-Billed	\$ 6,930	\$ 6,930
Accounts Receivable-Unbilled	228,400	276,000
Governmental Receivables		
Accounts Receivable-Billed	8,621,209	7,753,193
Accounts Receivable-Unbilled	1,788,912	1,744,558
<b>Total</b>	<b>\$ 10,645,451</b>	<b>\$ 9,780,681</b>
Mexico owed the U.S. Section the following amounts:		
O&M Nogales Wastewater Treatment Plt	5,009,740	4,218,565
Safety of Dams	0	946,869
O&M Tijuana Sanitation Plant	706,200	614,009
O&M Anzalduas Dam Stoplogs & Utilities	7,500	4,000
O&M Cordova Bridge	6,000	0
<b>Total</b>	<b>\$ 5,729,440</b>	<b>\$ 5,783,443</b>

The majority of the receivables are due from the public, which includes Mexico, local, state and county government entities. 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, 2019.

**NOTE 4: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET**

Property and equipment as of September 30, 2019 and 2018, consisted of the following:

<u>Classes of Fixed Assets</u>	<u>FY 2019 Acquisition Value</u>	<u>FY 2019 Accumulated Depreciation</u>	<u>FY 2019 Net Value</u>	<u>FY 2018 Net Value</u>
Land	\$ 50,619,103	\$ 0	\$ 50,619,103	\$ 50,394,963
Structures, Facilities, and Leasehold Improvements	1,129,836,594	(368,872,073)	760,964,520	769,367,506
Internal Use Software	7,611,003	(3,389,582)	4,221,421	3,492,662
Equipment	32,727,519	(23,415,464)	9,312,054	10,229,849
Construction in Progress	73,218,883	0	73,218,883	58,947,404
<b>Total</b>	<b>\$ 1,294,013,102</b>	<b>\$ (395,677,120)</b>	<b>\$ 898,335,982</b>	<b>\$ 892,432,384</b>

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. The U.S. Section capitalizes the acquisitions and or improvement of assets that meet the following criteria:

- The cost of the asset or improvement is \$25,000 or more;
- The asset has useful life of two (2) or more years, or the improvement will extend the useful life of an existing asset by two (2) or more years.

There are no restrictions on use or convertibility of the agency's property, plant, and equipment. A table of the ranges of depreciable and amortizable lives of the agency-owned assets is shown below.

<u>Category</u>	<u>Depreciable or Amortizable Life</u>
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.

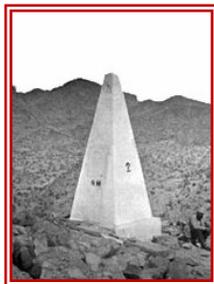
Although the monuments are all obelisk in shape, they vary in composition and appearance. Of the 276 monuments, 238 are composed of iron, 36 of masonry, one of granite, and one of marble. The iron monuments have a narrower base with a steeper-sloped shaft than the granite and masonry monuments. The marble 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)



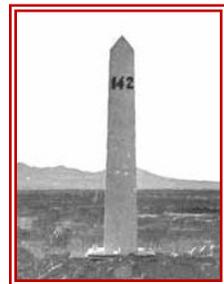
**Mon. No. 255**  
(Granite)



**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.

<b>INVENTORY SUMMARY OF HERITAGE ASSETS AS OF SEPTEMBER 30, 2019 AND 2018</b>		
<b>Description</b>	<b>Physical Units</b>	
	<b>FY 2019</b>	<b>FY 2018</b>
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
<b>Total Heritage and Multi-use Heritage Assets</b>	<b>140</b>	<b>140</b>
<p><i>* 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.</i></p>		

**NOTE 6: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities not covered by budgetary resources as of September 30, 2019 and 2018, are provided below.

	<b>FY 2019</b>	<b>FY 2018</b>
Liabilities Not Covered by Budgetary Resources		
Intragovernmental:		
Workers Compensation Liability	\$ 1,086,734	\$ 1,154,174
FECA Actuarial Liability	<u>4,908,378</u>	<u>4,949,368</u>
Total Intragovernmental	\$ 5,995,112	\$ 6,103,542
Unfunded Annual Leave	\$ 1,493,024	\$ 1,405,464
Estimated Cleanup Costs-Asbestos	<u>3,166,079</u>	<u>3,063,560</u>
Total Liabilities Not Covered by Budgetary Resources	\$ 10,654,215	\$ 10,572,566
 Total Liabilities Covered by Budgetary Resources	 \$ 6,163,586	 \$ 8,225,001
 <b>Total Liabilities</b>	 <b>\$ 16,817,801</b>	 <b>\$ 18,797,567</b>

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 2019, 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 at U.S. Section facilities is \$1,219,344 for friable ACM and \$471,000 for non-friable ACM, totaling \$1,690,344. The updated cost for cleanup of LBP at agency-owned facilities is \$1,475,735. This results in a total ACM and LBP liability of \$3,166,079.

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.

**International Boundary and Water Commission, United States Section**

**NOTE 8: OTHER LIABILITIES**

The tables below provide the agency's liabilities as of September 30, 2019 and 2018.

	Non-Current		Current		FY 2019 (CY) Total
<b>Intragovernmental Liabilities</b>					
Contract Accruals	\$	0	\$	177,689	\$ 177,689
Accrued Payroll-Fringe Benefits		0		233,183	233,183
<b>Total Intragovernmental</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>410,872</b>	<b>\$ 410,872</b>
Contract Accruals	\$	0	\$	3,001,727	\$ 3,001,727
Accrued Payroll-Labor		0		758,950	758,950
Deposit Funds		0		(2,900)	(2,900)
Accounts Payable		0		1,012,899	1,012,899
Advances		0		363,947	363,947
Other Liabilities		0		618,091	618,091
<b>Total Other Liabilities</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>6,163,586</b>	<b>\$ 6,163,586</b>

	Non-Current		Current		FY 2018 (CY) Total
<b>Intragovernmental Liabilities</b>					
Contract Accruals	\$	0	\$	117,909	\$ 117,909
Accrued Payroll-Fringe Benefits		0		230,062	230,062
<b>Total Intragovernmental</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>347,971</b>	<b>\$ 347,971</b>
Contract Accruals	\$	0	\$	6,499,584	\$ 6,499,584
Accrued Payroll-Labor		0		669,449	669,449
Deposit Funds		0		50,848	50,848
Accounts Payable		0		353,687	353,687
Advances		0		303,462	303,462
Other Liabilities		0		0	0
<b>Total Other Liabilities</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>8,225,001</b>	<b>\$ 8,225,001</b>

**NOTE 9: LEASES**

The U.S. Section leased eighty-seven (87) vans, pickup trucks, and passenger vehicles from the General Services Administration (GSA) for FY 2019. The approximate costs of these leases for FY 2019 was \$551,856. The leased vehicles were utilized by agency staff located at Headquarters in El Paso, Texas and the twelve field office locations 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 \$61,533. These copiers were primarily located at the Headquarters building and were leased on a twelve-month basis for FY 2019.

The U.S. Section leased miscellaneous types of equipment such as heavy-duty water pumps, dump trucks and chlorine cylinders during this period. In addition, the agency 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 approximate value of the leased miscellaneous equipment and radio communication tower space was \$27,833.

Future projected payments of operating leases are as follows:

<b>OPERATING LEASES</b>					
<b>Fiscal Year</b>	<b>Federal GSA Vehicles</b>	<b>Non-Federal Copiers</b>	<b>Non-Federal Radio Tower Space</b>	<b>Non-Federal Other</b>	<b>Total</b>
FY 2020	\$ 575,000	\$ 56,800	\$ 20,000	\$ 10,000	\$ 661,800
FY 2021	\$ 575,000	\$ 56,800	\$ 0	\$ 10,000	\$ 641,800
FY 2022	\$ 575,000	\$ 56,800	\$ 0	\$ 10,000	\$ 641,800
FY 2023	\$ 575,000	\$ 56,800	\$ 0	\$ 10,000	\$ 641,800
FY 2024	\$ 575,000	\$ 56,800	\$ 0	\$ 10,000	\$ 641,800
After 2024	\$ 583,625	\$ 57,652	\$ 0	\$ 10,150	\$ 651,427
<b>Total Est. Future Pmts</b>	<b>\$ 3,458,625</b>	<b>\$ 341,652</b>	<b>\$ 20,000</b>	<b>\$ 60,150</b>	<b>\$ 3,880,427</b>

**International Boundary and Water Commission, United States Section**

**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.

	<b>As of September 30,</b>	
	<b>FY 2019</b>	<b>FY 2018</b>
<b>BOUNDARY PRESERVATION</b>		
Intragovernmental cost	\$ 71,039	\$ 186,257
Public cost	\$ 463,667	\$ 591,798
Total Boundary Preservation Costs	\$ 534,706	\$ 778,055
Intragovernmental revenue	\$ 0	\$ 0
Public revenue	(\$ 244,362)	(\$ 159,646)
Total Boundary Preservation Revenue	(\$ 244,362)	(\$ 159,646)
 <b>WATER CONVEYANCE</b>		
Intragovernmental cost	\$ 4,015,437	\$ 4,687,536
Public cost	\$ 30,941,886	\$ 28,762,997
Total Water Quantity Costs	\$ 34,957,323	\$ 33,450,533
Intragovernmental revenue	(\$ 3,538,401)	(\$ 3,977,914)
Public revenue	(\$ 192,477)	(\$ 1,432,432)
Total Water Quantity Revenue	(\$ 3,730,878)	(\$ 5,410,346)
 <b>WATER QUALITY</b>		
Intragovernmental cost	\$ 562,777	\$ 548,148
Public cost	\$ 28,180,333	\$ 32,239,696
Total Water Quality Costs	\$ 28,743,110	\$ 32,787,844
Intragovernmental revenue	\$ 0	\$ 0
Public revenue	(\$ 5,849,202)	(\$ 5,557,727)
Total Water Quality Revenue	(\$ 5,849,202)	(\$ 5,557,727)
 <b>RESOURCE &amp; ASSET MGT</b>		
Intragovernmental cost	\$ 5,141,074	\$ 4,302,554
Public cost	\$ 11,457,166	\$ 5,679,629
Total Resource & Asset Mgt Costs	\$ 16,598,240	\$ 9,982,183
Intragovernmental revenue	(\$ 607)	(\$ 157)
Public revenue	(\$ 952)	(\$ 70,883)
Total Resource & Asset Mgt Revenue	(\$ 1,559)	(\$ 71,040)

**NOTE 11: EXCHANGE REVENUES**

For the years ended September 30, 2019 and 2018, revenues from services provided and other revenues and financial sources consisted of the following:

	<b>FY 2019</b>	<b>FY 2018</b>
O&M Wastewater Treatment Plants	\$ (4,485,744)	\$ (4,443,900)
Power Plant O&M - DOE	(3,509,007)	(3,977,914)
Safety of Dams	0	(1,158,279)
Clean Rivers Project - Texas	(261,692)	(225,407)
City of Nogales	(1,101,766)	(888,419)
Quarters Rental	(77,709)	(90,407)
Surety	(108,485)	0
Leases/Licenses	(166,653)	(69,240)
Morillo Drain O&M - LRGWC	(43,295)	(263,736)
Mexico-O&M Cordova Bridge	(6,000)	(6,000)
O&M Anzalduas Dam Stoplogs	(38,315)	(4,418)
Water Bulletins/FOIA/Other	(153)	(2,764)
Other Revenue	(25,776)	1
Interest and Penalties	(799)	(68,119)
Contra Revenue	0	0
Department of Labor	(607)	(157)
<b>Total Earned Revenue</b>	<b>\$ (9,826,001)</b>	<b>\$ (11,198,759)</b>

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, 2019 and 2018.

	<u>FY 2019</u>	<u>FY 2018</u>
<b>Salary &amp; Expenses (Category A):</b>		
Direct Obligations	\$ 49,419,307	\$ 50,128,796
Reimbursable Obligations	<u>8,711,531</u>	<u>6,653,949</u>
<b>Total Obligations Category A</b>	<b>\$ 58,130,838</b>	<b>\$ 56,782,745</b>
<b>Construction (Category B):</b>		
Direct Obligations	\$ 14,998,199	\$ 30,980,659
Reimbursable Obligations	<u>6,546,869</u>	<u>3,406,995</u>
<b>Total Obligations Category B</b>	<b>\$ 21,545,068</b>	<b>\$ 34,387,654</b>

**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, 2019 and 2018.

	<b>Federal</b>	
	<u>FY 2019</u>	<u>FY 2018</u>
<b>Salaries &amp; Expenses Appropriations</b>		
Fund 1941069	\$ 0	\$ 1,620
Fund 1951069	0	0
Fund 1961069	63,530	110,998
Fund 1971069	89,344	589,423
Fund 1981069	407,358	903,613
Fund 1991069	399,988	0
<b>Total S&amp;E Appropriations</b>	<b>\$ 960,220</b>	<b>\$ 1,605,654</b>
<b>Construction Appropriations</b>		
Fund 19X1078	\$ 356,077	\$ 1,291,757
<b>Total Cons. Appropriations</b>	<b>\$ 356,077</b>	<b>\$ 1,291,757</b>

	<b>Non - Federal</b>	
	<u>FY 2019</u>	<u>FY 2018</u>
<b>Salaries &amp; Expenses Appropriations</b>		
Fund 1941069	\$ 0	\$ -
Fund 1951069	0	31,602
Fund 1961069	36,283	86,022
Fund 1971069	80,143	742,936
Fund 1981069	615,907	13,855,708
Fund 1991069	14,036,135	0
<b>Total S&amp;E Appropriations</b>	<b>\$ 14,768,468</b>	<b>\$ 14,716,268</b>
<b>Construction Appropriations</b>		
Fund 19X1078	\$ 23,481,002	\$ 34,277,662
<b>Total Cons. Appropriations</b>	<b>\$ 23,481,002</b>	<b>\$ 34,277,662</b>

**International Boundary and Water Commission, United States Section**

**NOTE 14: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

Shown below is the reconciliation of net cost of operations to budget for the years ending September 30, 2019 and 2018.

	<b>Intra- Governmental FY 2019</b>	<b>Public FY 2019</b>	<b>Total FY 2019</b>
<b>NET COST</b>	<b>\$ 6,251,318</b>	<b>\$ 64,756,059</b>	<b>\$ 71,007,377</b>
<b>Components of Net Cost Not Part of Net Outlays</b>			
Property, plant, and equipment depreciation	0	(27,257,883)	(27,257,883)
Property, plant, and equipment disposals and re-valuations	0	0	0
Cost Capitalization Offset	0	33,088,526	33,088,526
<b>Increase/Decrease in Assets not affecting Net Outlays</b>			
Accounts Receivable	(47,600)	912,370	864,770
Other Assets	0	0	0
Advances or Prepayments	0	(3,458)	(3,458)
<b>Increase/Decrease in Liabilities not affecting Net Outlays</b>			
Accounts payable	0	(659,212)	(659,212)
Salaries and benefits	(3,121)	(89,501)	(92,622)
Environmental and disposal liabilities	0	(102,519)	(102,519)
Accrued annual leave	0	(87,561)	(87,561)
Accrued workers compensation	67,441	0	67,441
Workers compensation actuarial	40,990	0	40,990
Contract accruals	(59,780)	3,497,857	3,438,077
Contingent liabilities	0	(618,091)	(618,091)
Advances	0	(60,485)	(60,485)
<b>Other financing sources:</b>			
Accrued pension costs	(1,810,545)	0	(1,810,545)
Transfers out/(in) without reimbursements	0	0	0
Collections for Others	0	167,605	167,605
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>(1,812,615)</b>	<b>8,787,648</b>	<b>6,975,033</b>
<b>Components of Net Outlays That Are Not Part of Net Cost:</b>			
Other	0	72,953	72,953
<b>Total Components of Net Outlays That Are Not Part of Net Cost:</b>	<b>0</b>	<b>72,953</b>	<b>72,953</b>
<b>NET OUTLAYS</b>	<b>\$ 4,438,703</b>	<b>\$ 73,616,660</b>	<b>\$ 78,055,363</b>

**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:

<u>Contingent Liabilities</u>	<u>Accrued Liability</u>	<u>Estimated Range of Losses</u>	
		<u>Lower End of Range</u>	<u>Upper End of Range</u>
Probable	\$ 618,091	\$ 0	\$ 0
Reasonably Possible	\$ 0	\$ 0	\$ 0

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, United States Section**

Condition ratings and estimated deferred maintenance and repairs costs of agency assets by category are provided in the following table for the fiscal year ending September 30, 2019.

<b>DEFERRED MAINTENANCE AND REPAIR AS OF SEPTEMBER 30, 2019</b>				
<b>Asset Category</b>	<b>Condition of Assets</b>	<b>Critical DM&amp;R Cost</b>	<b>Non-critical DM&amp;R Cost</b>	<b>Total Cost</b>
<b>Water Conveyance Assets:</b>				
Amistad International Dam & Embankment	2 to 5	\$ 754,500	\$ 57,000	\$ 811,500
Amistad U.S. Power Plant	N/A	0	0	0
Gaging/Telemetry Systems	2 to 5	35,000	0	35,000
Levee systems, Floodplains, & Channels	2 to 5	1,861,060	90,000	1,951,060
Diversion Dams & Grade Control Struct.	3	175,000	0	175,000
Other Structures (bridges, canals, culverts)	3 to 4	850,000	0	850,000
<b>Water Quality Assets:</b>				
Wastewater Treatment Plant Infrastructure	2 to 5	245,793	0	245,793
<b>Field Office Buildings and Grounds:</b>				
Office Buildings	1 to 4	10,300	17,400	27,700
Warehouses & Service Buildings	3 to 5	245,000	56,600	301,600
Family Housing	3	13,000	229,000	242,000
Falcon Water Treatment Plant Infrastructure	5	100,000	0	100,000
Other (grounds, fencing, etc.)	1 to 5	390,700	929,000	1,319,700
<b>Common Assets - Subtotal</b>	<b>2 to 5</b>	<b>\$ 4,680,353</b>	<b>\$ 1,379,000</b>	<b>\$ 6,059,353</b>
<b>Heritage Assets:</b>				
Land Boundary Monuments #80 to #204A	2 to 5	\$ 50,000	\$ 30,000	\$ 80,000
<b>Multi-use Heritage Assets:</b>				
Falcon International Dam & Embankment	2 to 5	864,000	210,000	1,074,000
Falcon U.S. Power Plant	2	0	0	0
<b>All Heritage Assets - Subtotal</b>	<b>2 to 5</b>	<b>\$ 914,000</b>	<b>\$ 240,000</b>	<b>\$ 1,154,000</b>
<b>Deferred Maintenance &amp; Repair - TOTAL</b>	<b>2 to 5</b>	<b>\$ 5,594,353</b>	<b>\$ 1,619,000</b>	<b>\$ 7,213,353</b>

A comparison of deferred maintenance and repair costs reported for the years ending in September 30, 2018 and 2019 are summarized on the following table.

**International Boundary and Water Commission, United States Section**

<b>COMPARISON OF DEFERRED MAINTENANCE AND REPAIR COSTS FOR FISCAL YEARS ENDING SEPTEMBER 30, 2018 AND 2019</b>				
<b>Asset Category</b>	<b>Condition of Assets</b>	<b>Critical DM&amp;R Cost</b>	<b>Non-critical DM&amp;R Cost</b>	<b>Total Cost</b>
<b><u>FY 2018</u></b>				
Water Conveyance Assets:	2 to 5	\$ 3,262,201	\$ 64,000	\$ 3,326,201
Water Quality Assets:	2 to 5	0	350,000	350,000
Field Office Buildings and Grounds:	1 to 5	\$ 679,600	\$ 1,057,800	\$ 1,737,400
Heritage Assets:	3 to 5	50,000	30,000	80,000
Multi-use Heritage Assets:	1 to 5	1,194,000	200,000	1,394,000
<b><i>FY 2018 DMR Totals</i></b>	<b><i>1 to 5</i></b>	<b><i>\$ 5,185,801</i></b>	<b><i>\$ 1,701,800</i></b>	<b><i>\$ 6,887,601</i></b>
<b><u>FY 2019</u></b>				
Water Conveyance Assets:	2 to 5	\$ 3,675,560	\$ 147,000	\$ 3,822,560
Water Quality Assets:	2 to 5	245,793	0	245,793
Field Office Buildings and Grounds:	1 to 5	759,000	1,232,000	1,991,000
Heritage Assets:	2 to 5	50,000	30,000	80,000
Multi-use Heritage Assets:	2 to 5	864,000	210,000	1,074,000
<b><i>FY 2019 DMR Totals</i></b>	<b><i>1 to 5</i></b>	<b><i>\$ 5,594,353</i></b>	<b><i>\$ 1,619,000</i></b>	<b><i>\$ 7,213,353</i></b>
<b><u>Annual Increase/(Decrease)</u></b>				
Water Conveyance Assets:	-	\$ 413,359	\$ 83,000	\$ 496,359
Water Quality Assets:	-	\$ 245,793	\$ (350,000)	\$ (104,207)
Field Office Buildings and Grounds:	-	\$ 79,400	\$ 174,200	\$ 253,600
Heritage Assets:	-	\$ -	\$ -	\$ -
Multi-use Heritage Assets:	-	\$ (330,000)	\$ 10,000	\$ (320,000)
<b><i>FY 2019 DMR Totals</i></b>	<b><i>-</i></b>	<b><i>\$ 408,552</i></b>	<b><i>\$ (82,800)</i></b>	<b><i>\$ 325,752</i></b>

**COMBINING STATEMENT OF BUDGETARY RESOURCES**

<b>COMBINING STATEMENT OF BUDGETARY RESOURCES</b>				
<b>As of SEPTEMBER 30, 2019 (CY)</b>				
		<b>19_1069</b>	<b>19X1078</b>	<b>Total</b>
		<b>Budgetary</b>	<b>Budgetary</b>	<b>Budgetary</b>
		<b>FY 2019 (CY)</b>	<b>FY 2019 (CY)</b>	<b>FY 2019 (CY)</b>
<b>BUDGETARY RESOURCES:</b>				
1051	Unoblig Balance PY Budget Auth	\$ 14,424,057	\$ 95,553,420	\$ 109,977,477
1290	Appropriations	48,134,000	29,400,000	77,534,000
1490	Borrowing Authority	0	0	0
1690	Contract Authority	0	0	0
1890	Spending Auth from Offsetting Coll	10,532,238	71,962	10,604,200
1910	Total Budgetary Resources	<b>\$ 73,090,295</b>	<b>\$ 125,025,382</b>	<b>\$ 198,115,677</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>				
2190	New obligations and upward adjustments	\$ 58,130,838	\$ 21,545,068	\$ 79,675,906
Unobligated Bal End of Year:				
2204	Apportioned	4,665,338	91,839,946	96,505,284
2304	Exempt from Apportionment	0	0	0
2404	Unapportioned	0	11,640,368	11,640,368
2412	Unexpired unobligated balance, end of year	4,665,338	103,480,314	108,145,652
2413	Expired unobligated balance, end of year	10,294,119	0	10,294,119
2490	Total Unoblig Bal, End of Year	14,959,457	103,480,314	118,439,771
2500	Total Budgetary Resources	<b>\$ 73,090,295</b>	<b>\$ 125,025,382</b>	<b>\$ 198,115,677</b>
<b>BUDGET AUTHORITY &amp; OUTLAYS, NET:</b>				
4190	Outlays, Net	\$ 47,644,226	\$ 30,411,137	\$ 78,055,363
4200	Distributed Offsetting Receipts	0	0	0
4210	Agency Outlays, Net	\$ 47,644,226	\$ 30,411,137	\$ 78,055,363

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