

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



**AGENCY FINANCIAL REPORT
FISCAL YEAR 2012**

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MISSION, VISION AND PHILOSOPHY

MISSION

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

VISION

Through binational partnerships with Mexico, preserve the international boundary and improve the quality, conservation, and utilization of transboundary water resources in the border region.



PHILOSOPHY

- I - Integrity and Accountability
- B - Binational Diplomacy
- W - Working towards Excellence
- C - Commitment to Stakeholders and the Public

ABOUT THE INTERNATIONAL BOUNDARY AND WATER COMMISSION

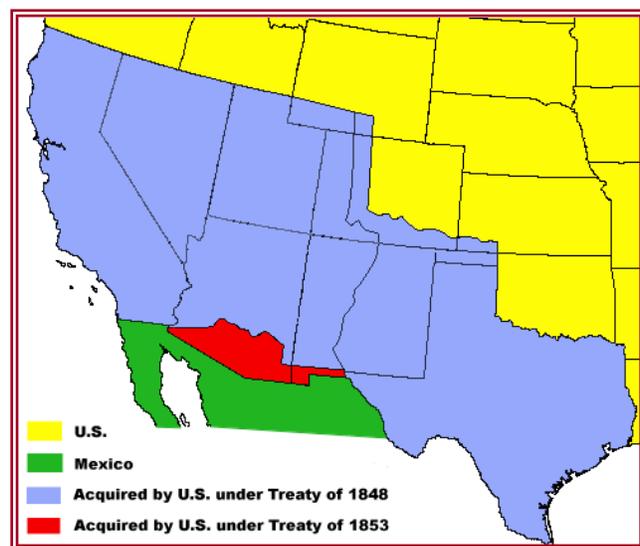
The International Boundary and Water Commission (IBWC) is a binational organization, established to apply boundary and water treaties and agreements between the United States (U.S.) and Mexico. The IBWC consists of a U.S. Section and a Mexican Section. Each Section is administered independently of the 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. and Mexican Sections maintain their respective headquarters in the adjoining cities of El Paso, Texas and Ciudad Juárez, Chihuahua. Each Section is responsible for maintaining 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, and the staffs of the two Sections are in frequent contact. Pursuant to the 1944 Treaty, decisions of the IBWC are recorded in the form of Minutes that, following approval by the U.S. and Mexican governments, enter into force as binding international agreements of the U.S and Mexico.

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

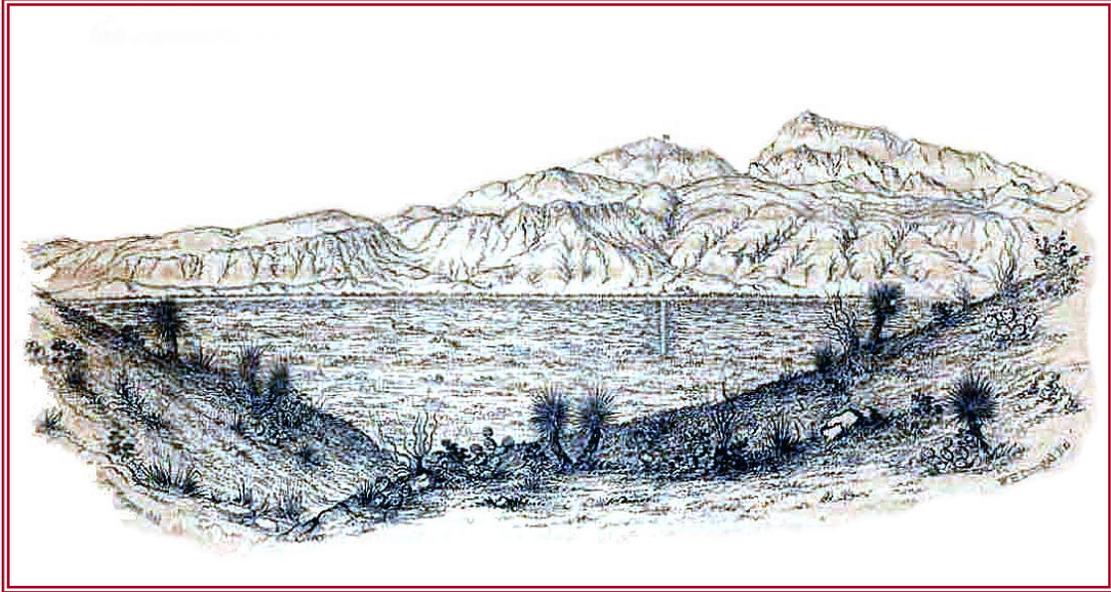


Historic U.S. – Mexico Boundaries

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).

Arizona to current location.

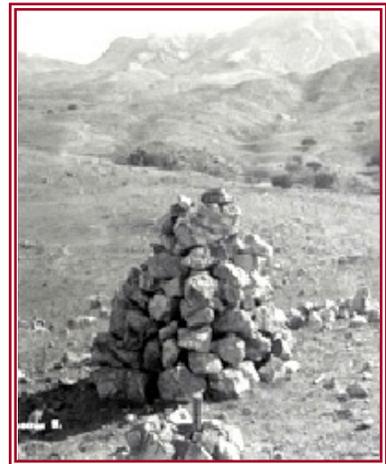
Joint Commissions, which were precursors of the IBWC, were temporarily established by the U.S. and Mexico between 1849 and 1857 to survey, map, and demarcate with ground landmarks the new boundary concluded under the 1948 and 1853 Treaties. Under the direction of U.S. Commissioners John Bartlett and William Emory, borderline surveys and demarcation efforts were initiated in 1849 and concluded in 1855. The resulting set of boundary survey maps were completed in 1857.



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.

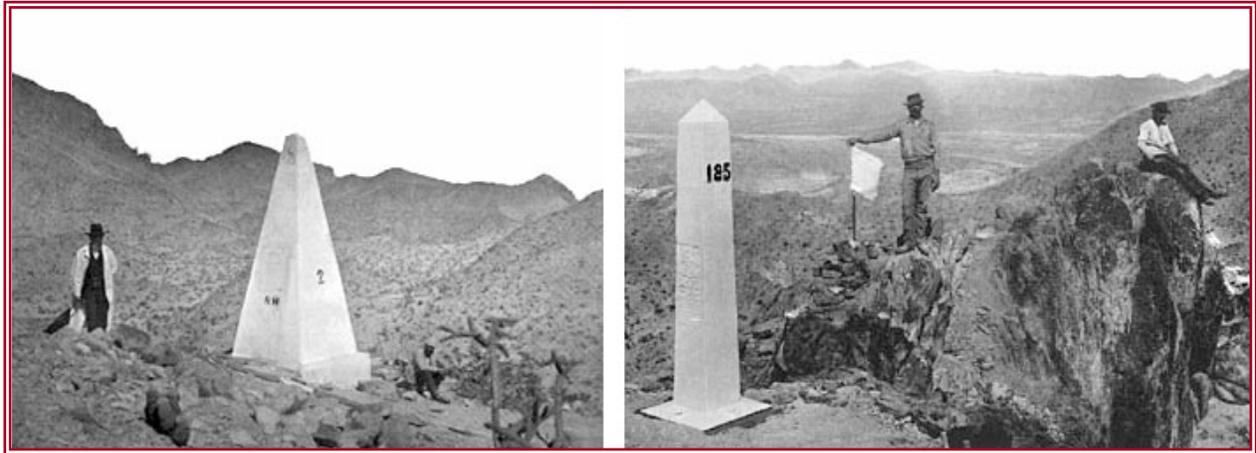
As the settlements grew along the Rio Grande and Colorado River in the late 1800's, settlers began developing adjoining lands for agriculture. In the late Nineteenth Century, questions arose as to the location of the boundary and the jurisdiction of lands when the boundary rivers changed their course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

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 1900's 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.

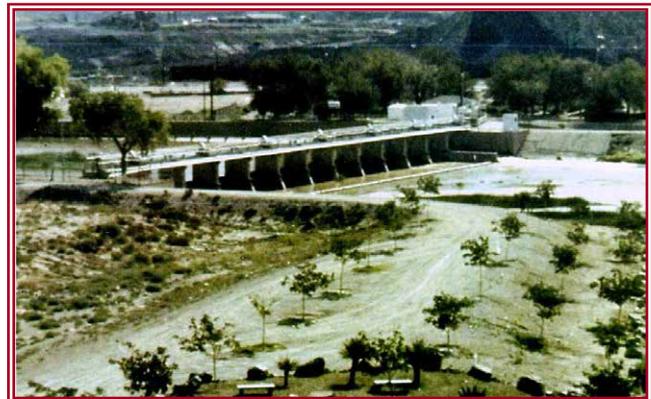
Historically, the Rio Grande was a meandering stream carrying heavy sediment loads through and below the El Paso – Juárez Valley. Channel aggrading occurred due to the flat gradient and low flow velocities, and during flood flows a new channel often formed on lower ground. In the late 1920's, the IBC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

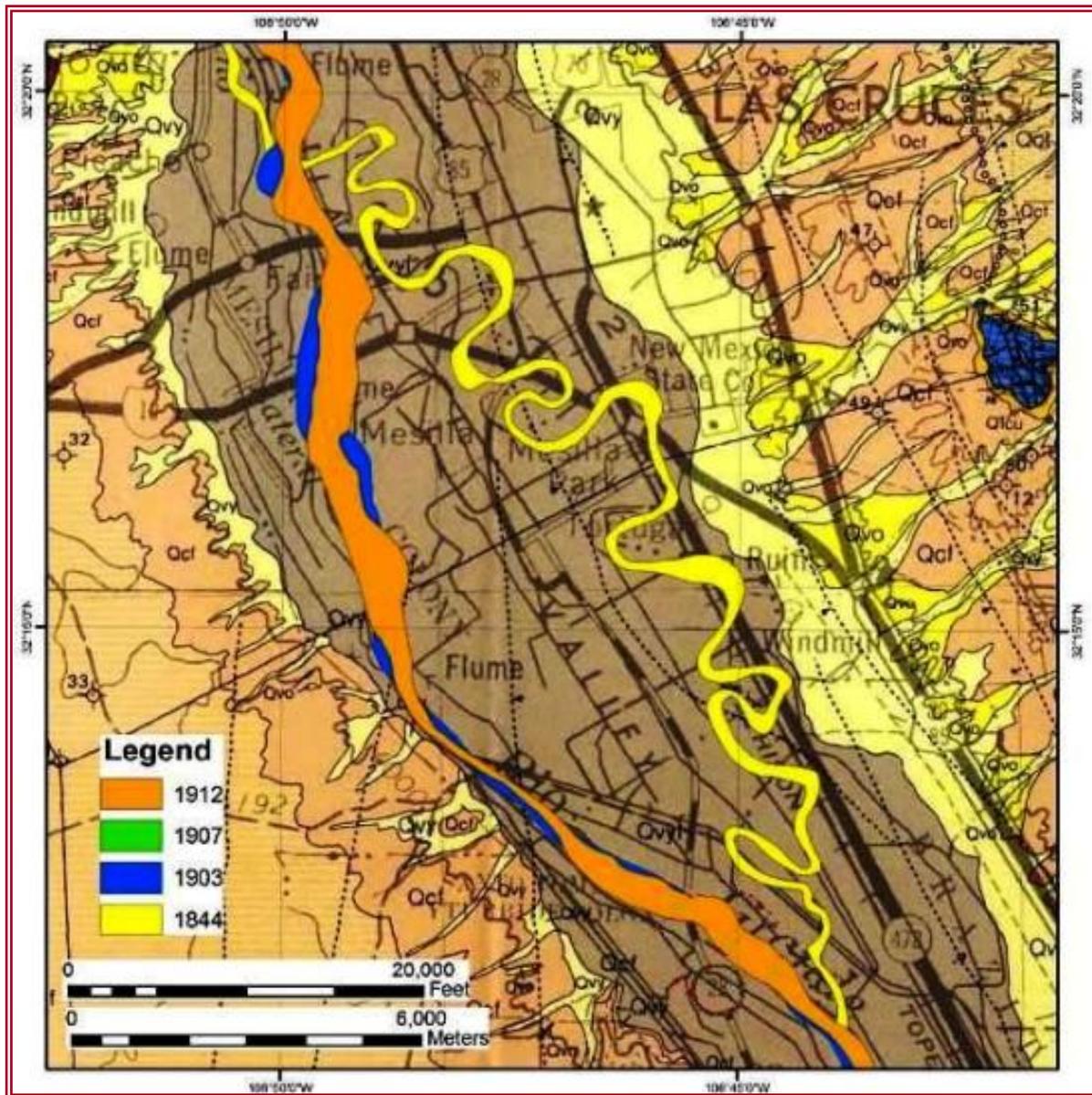
View of American Diversion Dam in El Paso, Texas, which diverts Rio Grande waters allocated to the U.S. under the Convention of 1906.



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 Peñitas, Texas from 1958 to 1961. Unfortunately, Hurricane Beulah struck the region in 1967, devastating the Lower Rio Grande watershed with up to 35 inches of rain and causing major damage in both the U.S. and Mexico. The IBWC quickly responded by performing emergency repairs to the flood control system in 1968 and 1969. Soon thereafter in September 1970, the two Governments agreed to further increase the flood conveyance capacity of the system from 187,000 cfs to 250,000 cfs at the head of the valley. Beginning in 1970, the IBWC completed all the necessary flood control improvements by 1977; including levee raising, interior floodway modifications, and construction of Retamal Diversion Dam.

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



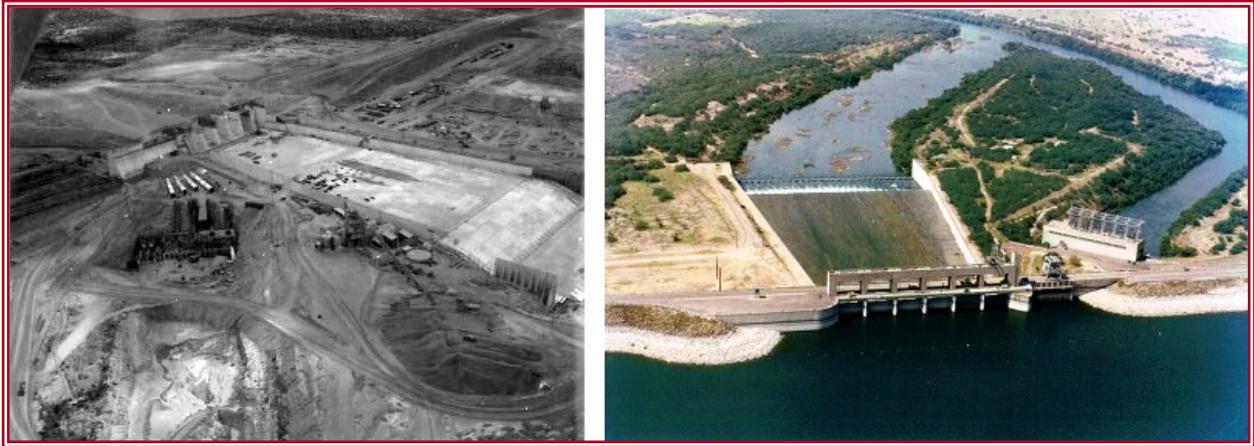
Lower Rio Grande U.S. Main Floodway

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 IBWC started construction of the SBIWTP in 1993, and completed the advanced primary wastewater treatment facilities in 1997. However, wastewater treatment and effluent discharge operations did not commence until completion of the South Bay Ocean Outfall (SBOO) in 1999.



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.

International Boundary and Water Commission, United States Section

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 U.S. – Mexico relations. 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 1,952-mile U.S. – Mexico border. This is accomplished through the joint construction, operation, and maintenance of four flood control systems (Tijuana River, Upper Rio Grande, Presidio Valley, and Lower Rio Grande) with approximately 500 miles of levees in the U.S. alone, five diversion dams (Morelos, International, American, Anzalduas, and Retamal), two international storage dams and hydroelectric power plants (Amistad and Falcon), three international wastewater treatment plants (South Bay, Nogales, and Nuevo Laredo), and over 700 monuments and markers to demarcate the land boundary.



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).

THE UNITED STATES – 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 2003, approximately 2.7 million acres of crop land was irrigated with the waters of the Rio Grande (1.6 million acres) and Colorado River (1.1 million acres) on both sides of the border. In addition, the Rio Grande provided 302.1 thousand acre-feet (13.16 million cubic feet) of water for municipal needs, which served over 3.7 million border residents in 2003.

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.

ORGANIZATION

OVERVIEW OF ORGANIZATIONAL STRUCTURE

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 Capital, Legal Affairs, and Foreign Affairs. In addition to the Commissioner and his executive assistant, the Office of the Commissioner administers the Washington DC Liaison, Internal Audit, and Equal Employment Opportunity function of the agency. The Office of the Commissioner oversees agency policies and practices to ensure compliance with all respective laws, regulations, agency directives, and other requirements.

The Human Capital 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. 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.

THE OPERATIONS DEPARTMENT

The Operations Department is headed by the Principal Engineer of Operations. 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 Division: Water Accounting, Planning and Integration, and Operations and Maintenance. The Operations and Maintenance Division, through its eight field offices, operates and maintains roughly 100 hydrologic gaging stations, 500 miles of levees, 14,650 acres of floodplains, four diversion dams, two International storage dams and associated hydroelectric power plants, over 500 hydraulic structures, two International wastewater treatment plants, and one-half of all boundary monuments and markers on the land boundary and at ports of entry. 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 Planning and Integration Division administers the security, safety and health, boundary and realty, graphic information systems, and project planning programs.

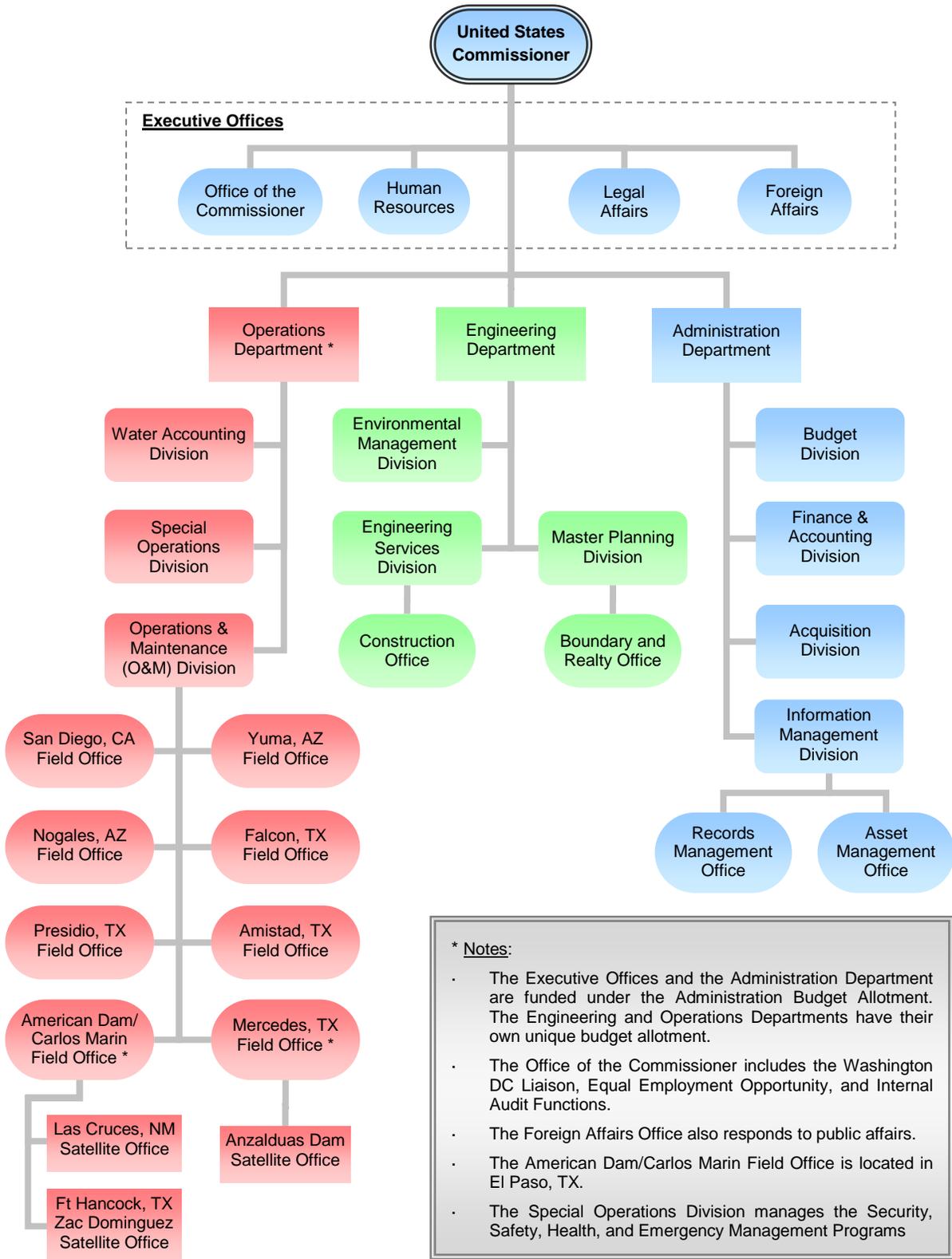
THE ENGINEERING DEPARTMENT

The Engineering Department is headed by the Principal Engineer of Engineering. Like the Principal Engineer of Operations, the Principal Engineer of Engineering also 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, and real property administration 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 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.

ORGANIZATIONAL STRUCTURE

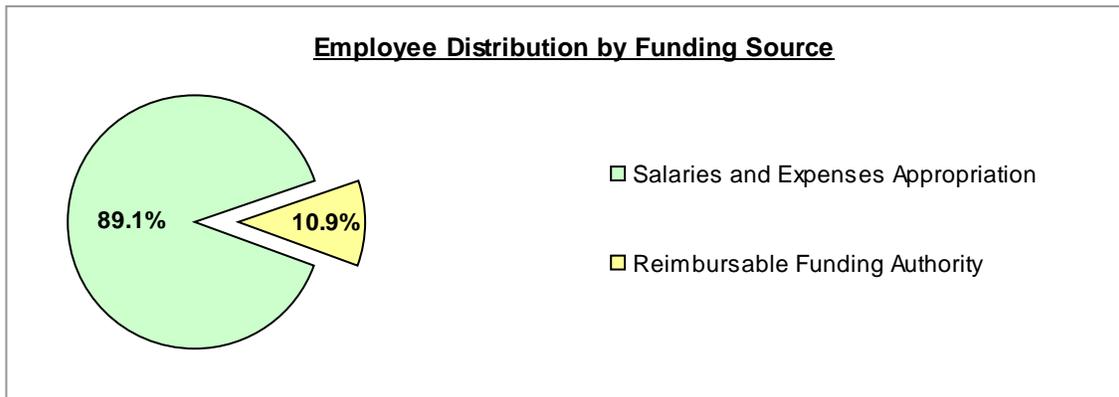
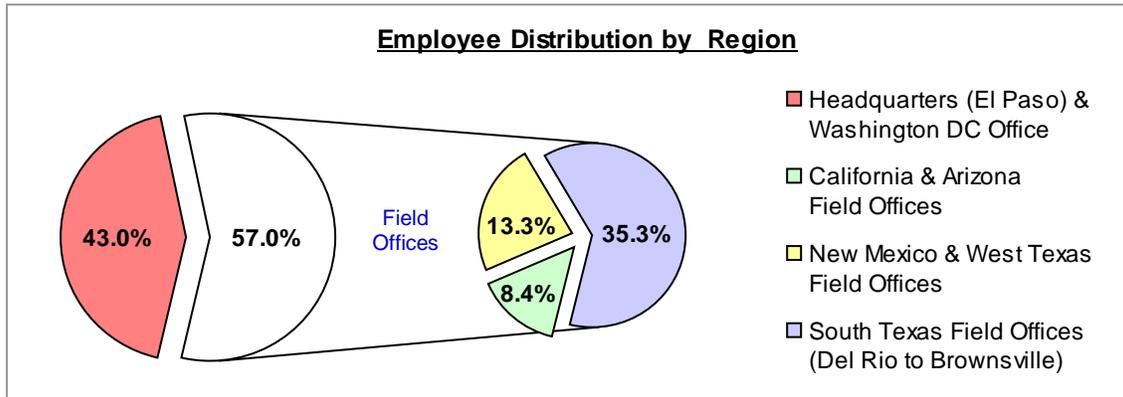
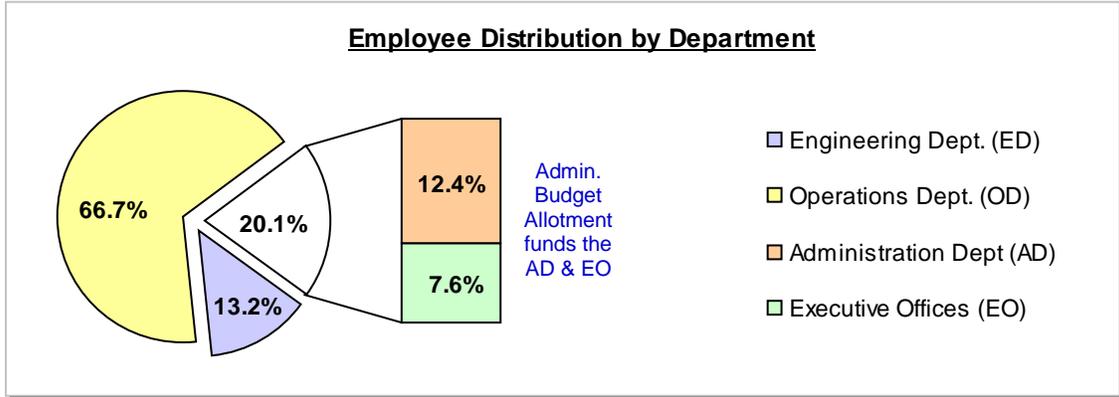


*** Notes:**

- The Executive Offices and the Administration Department are funded under the Administration Budget Allotment. The Engineering and Operations Departments have their own unique budget allotment.
- The Office of the Commissioner includes the Washington DC Liaison, Equal Employment Opportunity, and Internal Audit Functions.
- The Foreign Affairs Office also responds to public affairs.
- The American Dam/Carlos Marin Field Office is located in El Paso, TX.
- The Special Operations Division manages the Security, Safety, Health, and Emergency Management Programs

EMPLOYEE DISTRIBUTION

The U.S. Section employed a workforce that was equivalent to 261.7 full time employees in FY 2012. Shown below is the average annual employee distribution by department, location, and funding source. These figures account for hire lag and consist of all U.S. Section personnel, including part-time employees.



OFFICE LOCATIONS AND GENERAL RESPONSIBILITIES

The headquarters of the U.S. Section is located midway along the U.S. – Mexico border in El Paso, Texas. Likewise, the Mexican Section’s operates its headquarters in the sister city of Ciudad Juárez, Chihuahua; just across the border from El Paso, Texas. U.S. Section headquarters houses the diplomatic, legal, administrative and engineering functions of the agency, including oversight of its field operations. In addition, the U.S. Section maintains a liaison office in the Office of Mexican Affairs at the Department of State in Washington DC. The U.S. Section has eight field offices and three satellite offices strategically located along the U.S. – Mexico boundary to operate and maintain its works. Below is a map identifying the locations and jurisdictional limits of all U.S. Section Field Offices.



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 from Boundary Monument No. 230 located west of Calexico, California to and including the Pacific Ocean coastal environment. 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 Boundary Monument No. 230 located west of Calexico, California to the Lukeville, Arizona International Port of Entry, which includes the 24-mile international stretch of the Colorado River. The Yuma 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 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 Nogales, Arizona, this 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 treats sewage from both countries. In addition to operating and maintaining the NIWTP, the Nogales 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 – New Mexico Stateline.

UPPER RIO GRANDE FIELD OFFICE

The Upper Rio Grande Field Office consists of a base station with two satellite offices. The primary 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. This field office addresses the international boundary matters in New Mexico and all issues concerning the Rio Grande from Caballo, New Mexico to the Presidio – Hudspeth – Jefferson Davis tri-county line in Texas. 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 Office occasionally provides assistance to other western region U.S. Section field offices to restore or repair structures or facilities.

PRESIDIO FIELD OFFICE

Situated in Presidio, Texas, the jurisdictional limits of this field office extends along the Rio Grande from the Presidio – Hudspeth – 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 Office addresses all Rio Grande boundary and water issues from Heath Canyon, just below Big Bend National Park, to the Maverick – Webb county line.

FALCON DAM FIELD OFFICE

Like its upstream counterpart, the core role of this field office is to effectively operate and maintain the Falcon international storage dam and hydroelectric power plant for welfare of the U.S. and Mexico. In conjunction with irrigation, municipal, and flood releases, the field office operates of the hydroelectric power plant and generates electricity. The field office also operates and/or maintains water gaging facilities, and performs water quality sampling and accounting of Rio Grande waters. The Falcon Dam Office is situated in Falcon Heights, Texas, and its jurisdiction extends between the Maverick – Webb county line and Rio Grande City, Texas.

LOWER RIO GRANDE FIELD OFFICE

The Lower Rio Grande Field Office consists of a base station and a satellite office. The primary 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 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 Peñitas to Brownsville, Texas. The office also performs water accounting and water quality sampling activities on the Rio Grande, oversight of Morillo drain operations in Mexico, and is responsible for all other Rio Grande boundary and water issues between Rio Grande City, Texas and the Gulf of Mexico.

MISSION ACCOMPLISHMENTS AND PLANS

STRATEGIC GOAL 1 – BOUNDARY PRESERVATION

Preserve the U.S. – 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 concluded the boundary monumentation program by providing for smaller, intermediate concrete markers to be placed to better demarcate the international boundary. 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 its efforts to map and demarcate the Land and Colorado River Boundaries between the United States and Mexico, from Pacific Coast to the Rio Grande. This mapping process started in November 2010. A draft set of eighty-five boundary photomaps has been produced for review both governments. These maps depict the boundary line, location of boundary monuments, and other key geographic features. The Commission also continued to work on resolving issues regarding differences between the 1972 and current locations of the Colorado River boundary.

The U.S. Section repainted and replaced demarcation markers (buttons) at two (2) International Land Ports of Entry in California¹, and at six (6) International Bridge Ports of Entry in Texas². The agency also rehabilitated one demarcation buoy³ of twenty-eight (28) at Amistad International Storage Dam, and replaced the lanterns on all fourteen (14) demarcation monuments at Falcon International Storage Dam. General maintenance was performed on all demarcation buoys and monuments, which demarcate the jurisdictional line between the United States and Mexico at the Amistad and Falcon International Reservoirs.

PLAN

The U.S. Section will collaborate with the Mexican Section to resolve the issues concerning the location of the Colorado River boundary. Nonetheless, the Commission will proceed with the production of the final sets of Western Boundary photomaps, which delineates the Land and Colorado River boundaries. The Commission will jointly approve the final set of Western Boundary maps via an IBWC Minute, which should be concluded during FY 2013.

Currently, border violence is at a very high level. If the situation improves, the U.S. Section will proceed with its plan to refurbish about 10 boundary monuments along the Arizona border. The Commission will also continue to make a reasonable effort to maintain all boundary plaques and pavement markers at all border ports of entry. The U.S. Section will continue to inspect and maintain the buoys and markers, which identify the jurisdictional line at Amistad and Falcon International Reservoirs.

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

¹ The U.S. Section performed demarcation work at the Otay Mesa, and Tecate International Land Ports of Entry.

² The U.S. Section performed demarcation work at the Gateway, B&M Vehicular, Veterans, Pharr, Los Indios, and Del Rio International Bridge Ports of Entry.

³ Buoy No. 11 was refurbished.

STRATEGIC GOAL 2 – WATER QUANTITY OPERATIONS

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

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

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

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

ACCOMPLISHMENTS

Throughout the period, the U.S. Section regularly operated and maintained its hydrologic gaging stations and telemetry system equipment; used to collect, measure, transmit, compile, and account for the allocation of Rio Grande and Colorado River waters between the U.S. and Mexico. The U.S. Section collaborated with the Mexican Section to allocate, compute and account for the delivery of Rio Grande and Colorado River waters in accordance with the 1906 and 1944 Treaties.

The U.S. Section continued its efforts to evaluate and improve deficient levee segments and associated structures in the Upper Rio Grande, Presidio Valley, and Lower Rio Grande Flood Control Systems. In addition to initiating and/or continuing the required environmental, engineering, permitting, and design work, the agency performed the following construction work:

Upper Rio Grande

- Completed construction of 74.7 miles of flood control system improvements on the following levee segments:
 - Hatch (West Levee): 13.7 miles
 - Mesilla Phase 1: 33.4 miles
 - Canutillo Phase 1:..... 27.6 miles
- Continued construction of 46.9 miles of flood control system improvements on the following levee segments:
 - Mesilla Phase 2: 9.6 miles
 - Sunland Park: 11.9 miles
 - Fabens to Tornillo 6.9 miles
 - Fort Hancock 8.5 miles

Presidio Valley

- Continued construction of 14.9 miles of Rio Grande levee improvements at Presidio.

Lower Rio Grande

- Completed construction of 41.3 miles of flood control system improvements on both the north and south levees of the Main Floodway.
- Continued construction of 75.3 miles of flood control system improvements on the following levee and/or floodwall segments:
 - Edinburg Pumphouse Channel Crossing: 0.2 miles
 - Hidalgo Levee Phases 1 & 2:..... 1.1 miles
 - Lateral A to Retamal Dam:..... 13.5 miles
 - North Floodway Phases 1 & 2 (Hidalgo County): 37.8 miles
 - Arroyo Colorado Phases 1 & 2 (North Levee): 10.2 miles
 - Lower Brownsville: 12.5 miles

International Boundary and Water Commission, United States Section

In addition to levee improvement efforts, the agency maintained the capacities of its Rio Grande Flood Control Systems by mowing vegetation on the floodplain and levee slopes, removing sediment from the river and floodway channels, and resurfacing the levee as follows:

Flood Control System	Vegetation Mowing (Acres)	Sediment Removal (Cubic Yards)	Levee Resurfacing (Miles)
Upper Rio Grande	6,250	225,800 ⁴	12.0 ⁵
Presidio Valley	1,000 ⁶	700	0.0
Lower Rio Grande	4,000	63,400 ⁷	71.2 ⁸
Total	11,250	226,500	83.2

The agency also performed corrective maintenance to stabilize the river bank of the Rio Grande near Brito Creek at Presidio by installing 1,900 linear feet of rock riprap.

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 agency continued its daily operation and maintenance of its diversion and storage dams, and hydroelectric power plants. The Commission conducted the five-year safety inspections of Amistad and Falcon Storage Dams, as well as International Diversion Dam. In addition, the Commission completed a quantitative risk analysis and initiated a dam modification study at the Amistad Storage Dam to evaluate and select the best alternative that will reduce the risk of dam failure. Furthermore, the Commission continued the preliminary evaluation and quantitative risk analysis at the Falcon Storage Dam to identify potential failure modes and associated risks. These studies are being performed by a panel of experts from both countries.

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 agency will maintain its floodplains and channels through mowing and sediment removal activities. The U.S. Section will acquire the necessary permits and environmental documentation prior to commencing any of the silt removal activities.

⁴ Includes 5,000 yd³ at International Diversion Dam, 195,000 yd³ along the Chamizal National Park, and 26,000 yd³ at the mouth of the Guayuco Arroyo.

⁵ Resurfacing was performed on the east levee in Hatch, New Mexico.

⁶ The annual mowing requirement is 800 acres (two cycles of 400 acres).

⁷ Consists of 42,300 yd³ from the Main Floodway and 21,100 yd³ from North Floodway.

⁸ Levee resurfacing was performed on 23.2 miles of Rio Grande levee, 28.0 miles of the North Floodway levees, 15.8 miles of Main Floodway levees, and 4.2 miles of Arroyo Colorado levees.

International Boundary and Water Commission, United States Section

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, Presidio, and Lower Rio Grande 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.

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/Hidalgo, 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 Northernly International Boundary. Furthermore, the U.S. agreed in

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

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

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

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

ACCOMPLISHMENTS

The U.S. Section continued its efforts to improve and sustain the water quality of boundary and transboundary rivers by collaborating with stakeholders to monitor, compile, and exchange water quality data on the mouth of the Tijuana River (Pacific Ocean) and on the Rio Grande, Colorado, and New Rivers. In addition, the agency continued to work with stakeholders to develop and implement solutions to reduce the discharge of untreated wastewater into the New River. Both Sections 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.

The U.S. Section operated and maintained the South Bay International Wastewater Treatment Plant (SBIWTP) and Nogales International Wastewater Treatment Plant (NIWTP) on a daily basis to treat wastewater from Mexico and prevent unsanitary conditions along the border. The U.S. Section treated an average of 25 million gallons per day (Mgd) of sewage from the city of Tijuana, Baja California at the SBIWTP. The agency also treated an average of

12.1 Mgd of sewage from the city of Nogales, Sonora at the NIWTP, which is 2.2 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 U.S. Section continued the construction of a new administration and maintenance building to support plant operations at the NIWTP. This new building, which is approximately 90% complete, is projected for completion by March 2013.

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. Lastly, the agency will complete construction of the administration and maintenance building at NIWTP and will begin preliminary planning efforts for design and construction of an administration building at SBIWTP to support operations.

STRATEGIC GOAL 4 – RESOURCE AND ASSET MANAGEMENT

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

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

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

- **The Government Performance and Results Act of 1993** establishes the foundation for federal agencies to be successful by creating a performance planning and accountability process in which agencies clarify their mission, develop goals, measure performance, and submit annual progress reports.
- **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 (FASA V)** streamlines and simplifies federal procurement procedures for acquiring goods and services.
- **The Federal Information Security Management Act** directs agencies to integrate IT 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 OMB.
- **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.

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 Environmental Policy Act of 1969 to any action 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. In response to the Hiring Reform Act of 2010, the agency implemented the action plan that was submitted to the U.S. Office of Personnel Management (OPM) last fiscal year. To increase efficiency in human resource management, the agency migrated from a paper-based storage system of Official Personnel Folders (OPF) to an electronic database system by completing the document imaging process at the end of the fiscal year.

The U.S. Section upgraded its video conferencing and mobile device units, and continued to performed its data backup requirements. It also standardized all computer workstation operation systems and network switches to implement port security and meet FISMA compliance. The agency continued to evaluate and upgrade its access controls system to achieve compliance with HSPD-12. The U.S. Section utilized Geographic Information System (GIS) resources to improve its emergency response planning by compiling LiDAR survey and imagery data to develop flood inundation maps for Amistad and Falcon Storage Dams under various scenarios. The flood inundation maps for Amistad Storage Dam were completed this fiscal year; however, flood inundation maps for Falcon Storage Dam are still under production. The agency continued the development of a GIS-based web-portal for public data access and tracking of license, lease, and permit applications.

The U.S. Section conducted its annual comprehensive property inventory at headquarters and at each field office to accurately identify and record all “accountable” property as well as 100% of all capitalized property. In addition, it appraised hundreds of cubic feet of records at the American Dam, Yuma, Las Cruces, and Washington DC field offices for either

retirement or disposal. The agency also implemented the necessary steps to meet the requirements of the National Archives and Records Administration's Memorandum for Records Management.

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

The U.S. Section prepared and implemented an annual audit plan to examine internal policies and procedures to address recommendation provided by the Office of Inspector General, processing of contractor claims, and execution of ARRA resources. The agency addressed various legal issues, and produced and submitted all annual compliance reports.

PLAN

The U.S. Section will continue to develop policy and take the necessary steps to comply with current federal requirements. The agency will provide training to its employees and begin the implementation of the new electronic OPF database system in human resource management to ensure optimal efficiency. The U.S. Section plans to improve productivity and security of information during the recruitment process by migrating to an electronic software system for the processing of personnel actions. It will continue to address all legal and compliance related issues, and submit required compliance reports. The U.S. Section will prepare and implement an annual audit plan that will focus on ARRA related activities and contracts with Mexico.

The agency will continue the strict application of Federal IT system security standards to its IT General Support System in order to achieve re-certification and accreditation. The recent inspection by the Office of Inspector General provided recommendations and a road map for agency staff to achieve improvement of its current IT security posture. Those recommendations include enhancing our internal policy and procedures, upgrading existing security appliances and conducting risk assessments and documentation of existing SCADA systems within our agency. The U.S. Section will complete GIS-based web-portals, which will provide the public access a tool to extract water quality and discharge data. The web portal will also streamline the license, lease, and permit application process.

The agency will strive to continue improving its personal property program and maintain the agency fleet in line with challenging fuel efficiency and fleet reduction requirements. It will continue to establish a centralized supply office by consolidating all HQ supply purchase line items and continuing to provide building, shipping and office machine maintenance essential to the success of HQ personnel. The U.S. Section will continue to inventory, appraise, retire or dispose of agency records that have reached their retention limits, and continue to provide records management training and guidance to the employees.

The U.S. Section 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

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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 U.S. – Mexico border region.

BUDGET

The U.S. Section receives funding for its programs, projects, and initiatives through direct Congressional appropriations or indirectly through its reimbursement authority with other sources. The agency typically 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 mission requirements and support for the Mexican Section and other federal, state, and local agencies. Reimbursable funding offsets the additional costs incurred by the U.S. Section to provide the increased level of support and services.

In addition to normal appropriations and reimbursement funds, the U.S. Section received additional funding through direct Supplemental Appropriations from Congress in FY 2009. The American Recovery and Reinvestment Act of 2009 (ARRA) provided additional funds for the improvement of existing Rio Grande flood control systems in New Mexico and Texas.

Over the previous four years, the total direct and indirect funding provided to the U.S. Section is as follows:⁹

✚ FY 2009

◆ S&E Direct Appropriation:	\$32.56 Million
◆ Construction Direct Appropriation:	\$43.25 Million
◆ Reimbursement Authority:	\$8.53 Million
◆ Supplemental Direct Appropriation (ARRA):	\$220.00 Million
◆ Total Fiscal Resources:	\$304.34 Million

✚ FY 2010

◆ S&E Direct Appropriation:	\$33.00 Million
◆ Construction Direct Appropriation:	\$43.25 Million
◆ Reimbursement Authority:	\$10.15 Million
◆ Total Fiscal Resources:	\$86.40 Million

✚ FY 2011

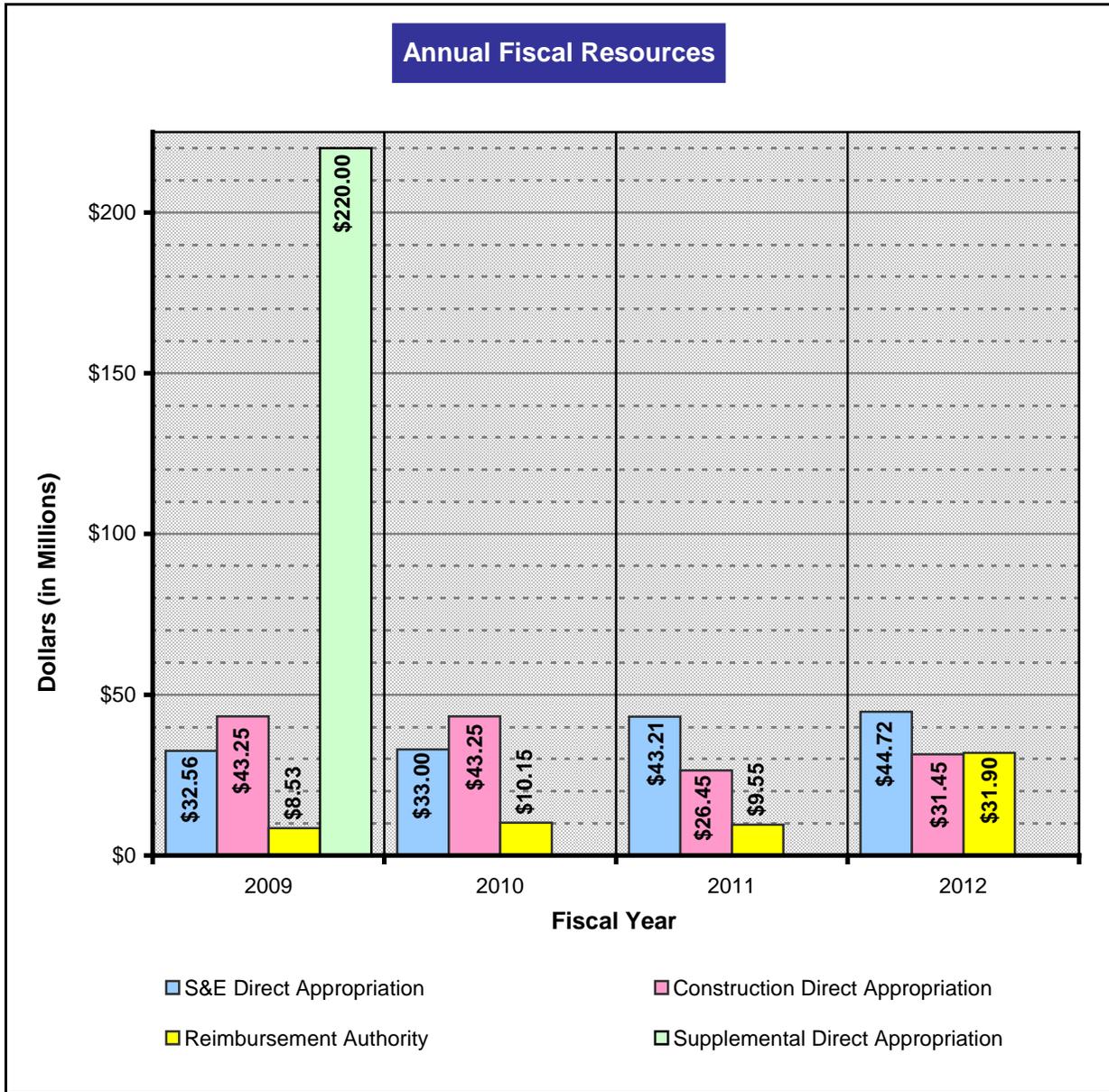
◆ S&E Direct Appropriation:	\$43.21 Million
◆ Construction Direct Appropriation:	\$26.45 Million
◆ Reimbursement Authority:	\$9.55 Million
◆ Total Fiscal Resources:	\$79.21 Million

⁹ Figures of direct appropriations include applicable rescissions.

FY 2012

- ◆ S&E Direct Appropriation: \$44.72 Million
- ◆ Construction Direct Appropriation: \$31.45 Million
- ◆ Reimbursement Authority: \$31.90 Million
- ◆ Total Fiscal Resources: \$108.07 Million

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



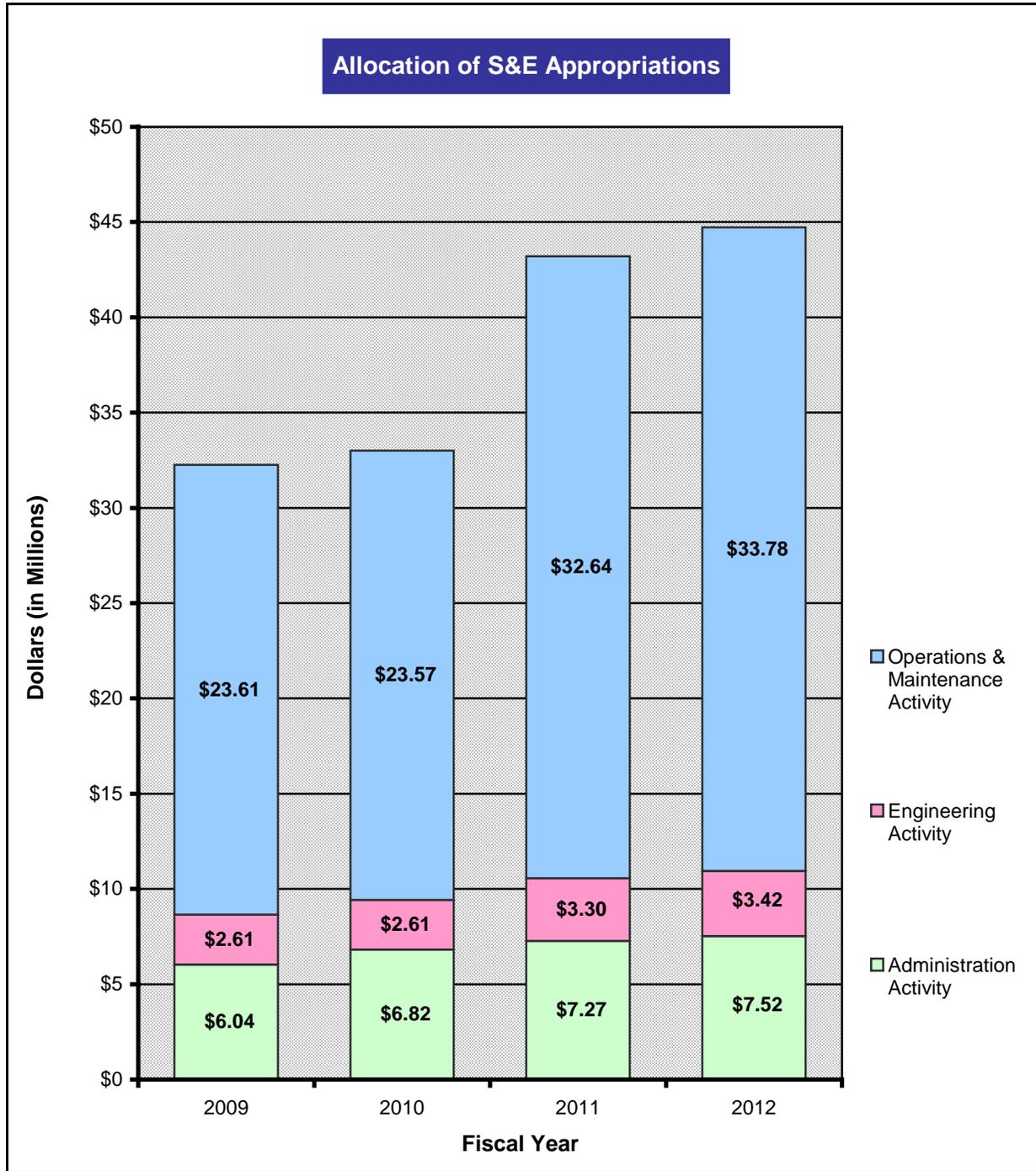
SALARIES AND EXPENSES APPROPRIATION

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. Remaining unobligated funds, directly appropriated by Congress, are returned to the U.S. Treasury's General Fund for redistribution.

The S&E Appropriation is distributed among three primary agency activities – Administration, Engineering, and Operations & Maintenance. The Administration Activity provides the budget for the U.S. Section's policy and administrative functions. The Commissioner, the Executive Offices, and the Administration Department are all funded within the Administration Activity. Funding for the agency's engineering and technical support roles are secured within the Engineering Activity. This 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 & Maintenance Activity represents over two-thirds of the S&E Appropriation. It provides 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 2009: \$32.26 Million
- ✚ FY 2010: \$33.00 Million
- ✚ FY 2011: \$43.21 Million
- ✚ FY 2012: \$44.72 Million



CONSTRUCTION APPROPRIATION

The U.S. Section's major construction or rehabilitation projects are funded by Congress through the Construction Appropriation. The Construction Appropriation provides the resources for the agency to acquire capital assets such as land, structures, equipment, intellectual property (i.e. software), and information technology (including IT service contracts) with an estimated life of 2 years or more to meet its mission requirements. Most commonly, capital assets may be acquired through purchase, construction, manufacturing, and exchange, and may include environmental remediation of land, and leasehold improvements and land rights. The U.S. Section cannot utilize this appropriation to fund grants to other entities (i.e. local governments, universities) for acquiring capital assets, or for intangible assets such as the knowledge resulting from research and development (R&D), or the human capital resulting from education and training.

In addition to normal appropriations and reimbursement funds, the U.S. Section received supplemental funding in FY 2009. The American Recovery and Reinvestment Act of 2009 provided additional funds for the improvement of the existing Upper Rio Grande, Presidio Valley, and Lower Rio Grande flood control systems located in New Mexico and Texas.

The Construction Appropriation is a no-year appropriation, meaning that unobligated balances can be carried forward for use the following fiscal year. However, Congress reserves the right to redistribute or remove any unobligated funds the next budget session. This appropriation is extremely helpful because most, if not all, of the U.S. Section's construction projects take more than one-year to plan, design and construct. In addition, unanticipated issues occasionally arise during the development or construction of the project that can impact its completion date.

The Construction Appropriation is allocated among various construction or capital asset projects that support the agency's four strategic goals:

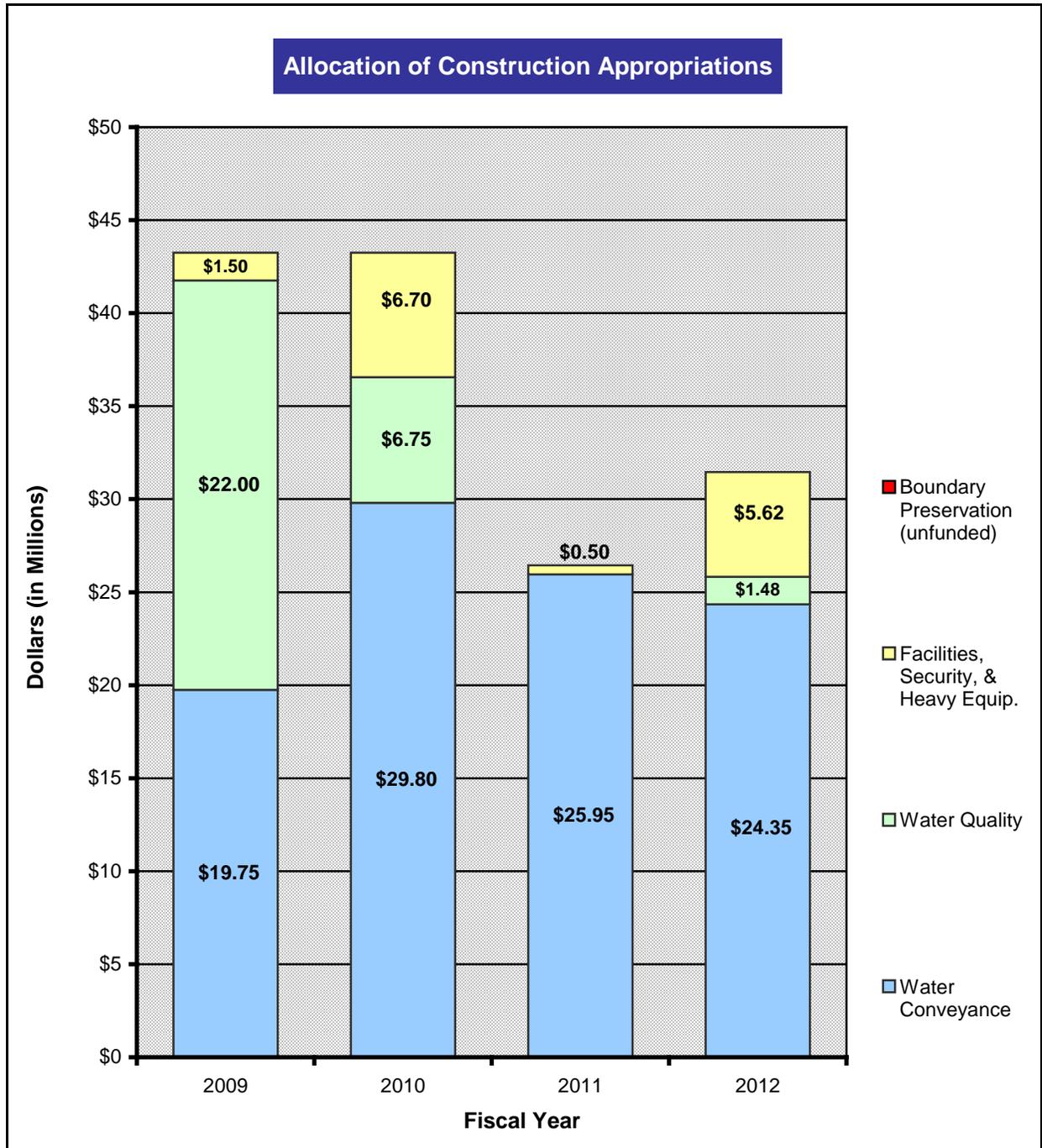
- Strategic Goal 1: Boundary Preservation
- Strategic Goal 2: Water Conveyance
- Strategic Goal 3: Water Quality
- Strategic Goal 4: Resource and Asset Management

Some capital asset projects such as: *Facilities Renovations Project*, *Critical Infrastructure Protection Project*, and the *Heavy Equipment Replacement Project*, support to multiple strategic goals. However, other capital asset projects like: *Safety of Dams Project*, *Rio Grande Flood Control Rehabilitation Project*, and the *Secondary Treatment of Tijuana Sewage Project* apply to only one strategic goal. Thus, authorized projects are organized into the following program categories:

- Boundary Preservation – Only apply to Strategic Goal 1
- Water Conveyance – Only apply to Strategic Goal 2
- Water Quality – Only apply to Strategic Goal 3
- Facilities, Security and Heavy Equipment – Support all four Strategic Goals.

Construction Direct Appropriation:

- ✚ FY 2009: \$43.25 Million
- ✚ FY 2010: \$43.25 Million
- ✚ FY 2011: \$26.45 Million
- ✚ FY 2012: \$31.45 Million



SUPPLEMENTAL APPROPRIATIONS

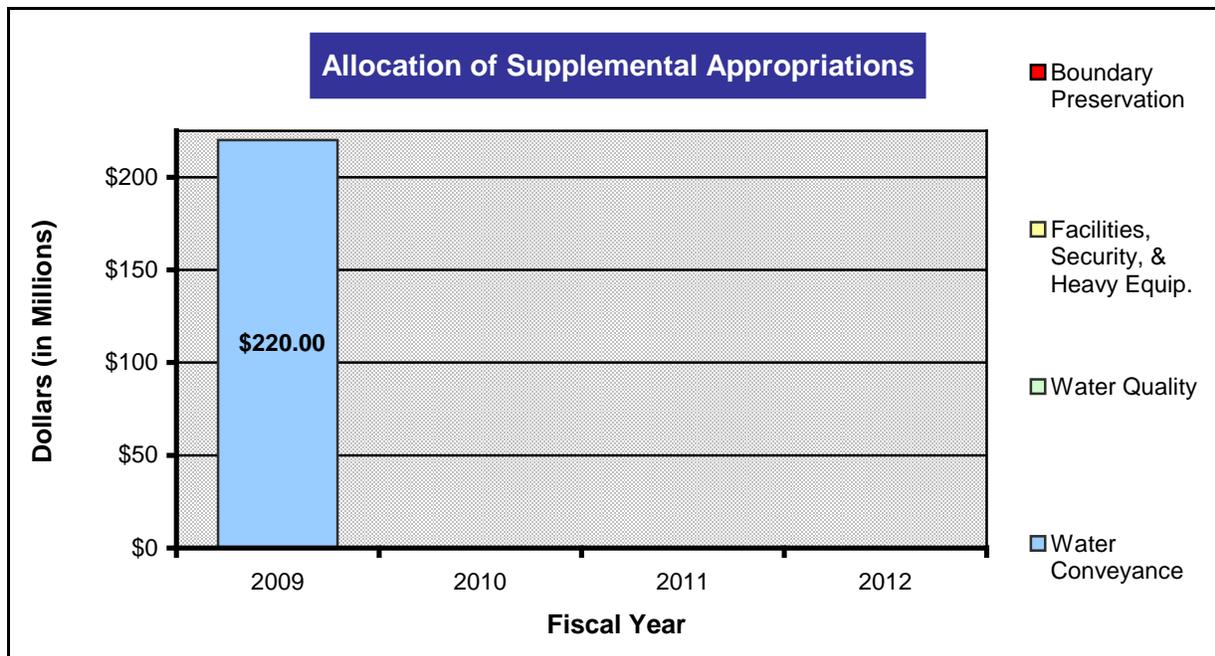
The U.S. Section may receive supplemental appropriations from Congress in addition to the regular, S&E and Construction, or continuing appropriations to avoid shutdowns of government services. A supplemental appropriation provides additional budget authority, while the fiscal year already is in progress, to fund unanticipated, critical requirements that are too urgent to postpone until the next regular annual appropriations act. Hence, the agency may receive supplemental appropriations for emergency operations and projects.

The American Recovery and Reinvestment Act of 2009 (ARRA) provided additional funds during an economic recession to stimulate the U.S. economy by investing in infrastructure improvements, among other things, and creating jobs in the process. The American Recovery and Reinvestment Act provided the agency with supplemental funds for immediate rehabilitation and improvement of existing, high-priority levee segments along the Rio Grande in Texas and New Mexico. This supplemental appropriation was passed on February 17, 2009 and funds remained available for obligation through September 30, 2010.

Like the Construction Appropriation, the FY 2009 Supplemental Appropriation provided additional funding for construction of mission-critical levee improvements. Hence, the same program categories defined in the Construction Appropriation apply. Projects funded under this supplemental appropriation fall under the Water Conveyance Program.

Supplemental Direct Appropriation:

- ✚ FY 2009: \$220.0 Million
- ✚ FY 2010: \$0.0 Million
- ✚ FY 2011: \$0.0 Million
- ✚ FY 2012: \$0.0 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 equipment purchases and expenses applied to Mexico for operation and maintenance of the 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.
- U.S. Environmental Protection Agency – to fund water quality improvements for sanitation projects along the border.
- 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 ranged between a 74% of the allotted authority in FY 2011, to 89% of the allotted authority in FY 2009. Each fiscal year, reimbursement authority for the U.S. Section must be apportioned by the Office of Management and Budget (OMB) and allocated by the Department of State (DOS).

Reimbursement Authority (Allotment):

✚ FY 2009		
◆ S&E Reimbursement Funds:		\$7.12 Million
◆ Construction Reimbursement Funds:		\$1.41 Million
◆ <i>Total Fiscal Resources:</i>		<i>\$8.53 Million</i>
✚ FY 2010:		
◆ S&E Reimbursement Funds:		\$7.65 Million
◆ Construction Reimbursement Funds:		\$2.50 Million
◆ <i>Total Fiscal Resources:</i>		<i>\$10.15 Million</i>

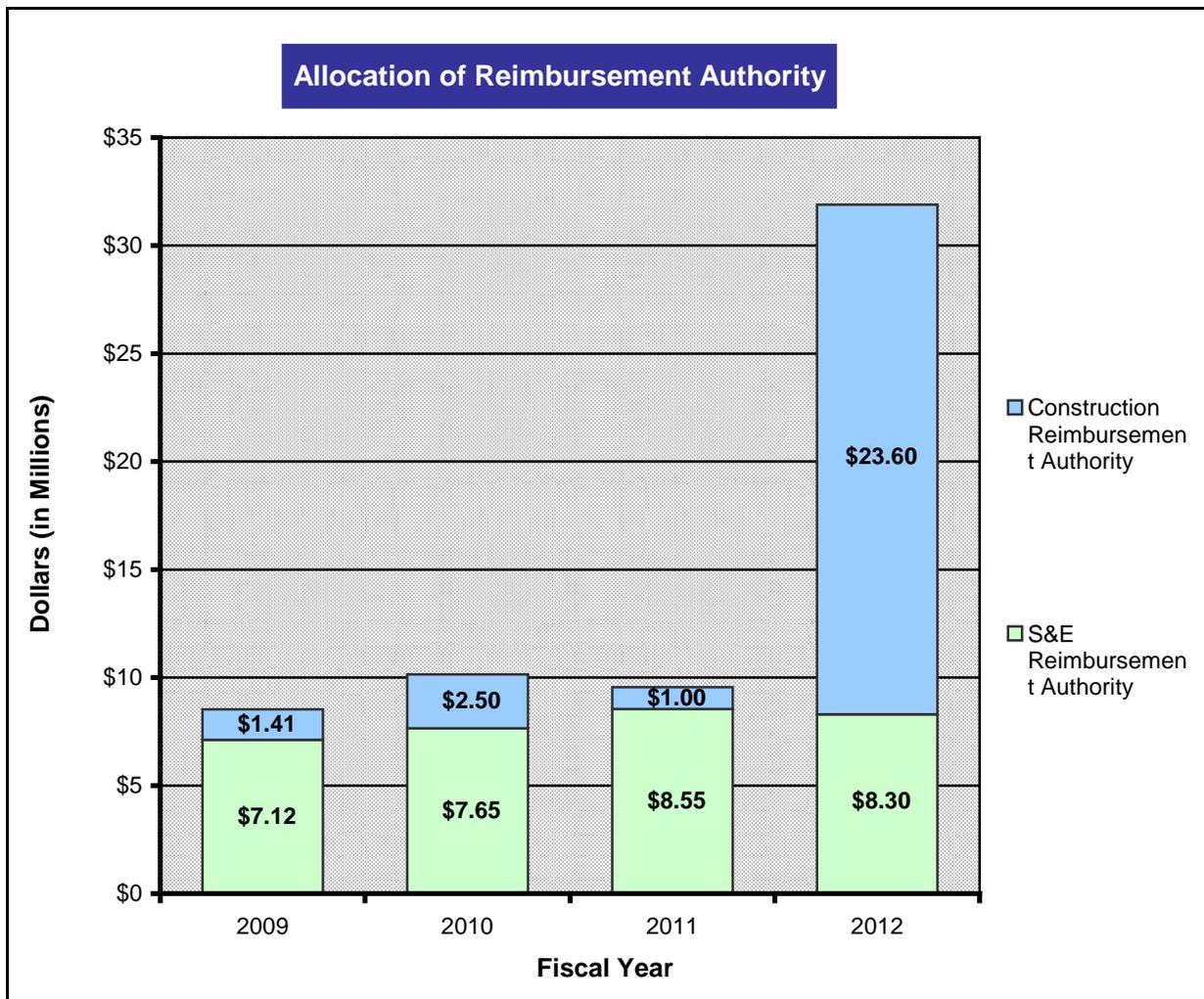
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✚ FY 2011:

- ◆ S&E Reimbursement Funds: \$8.55 Million
- ◆ Construction Reimbursement Funds: \$1.00 Million
- ◆ *Total Fiscal Resources:* \$9.55 Million

✚ FY 2012

- ◆ S&E Reimbursement Funds: \$8.30 Million
- ◆ Construction Reimbursement Funds: \$23.60 Million
- ◆ *Total Fiscal Resources:* \$31.90 Million



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.
 - 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.
 - 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 building facilities, heavy mobile equipment, tractors/mowers, shop equipment, etc.

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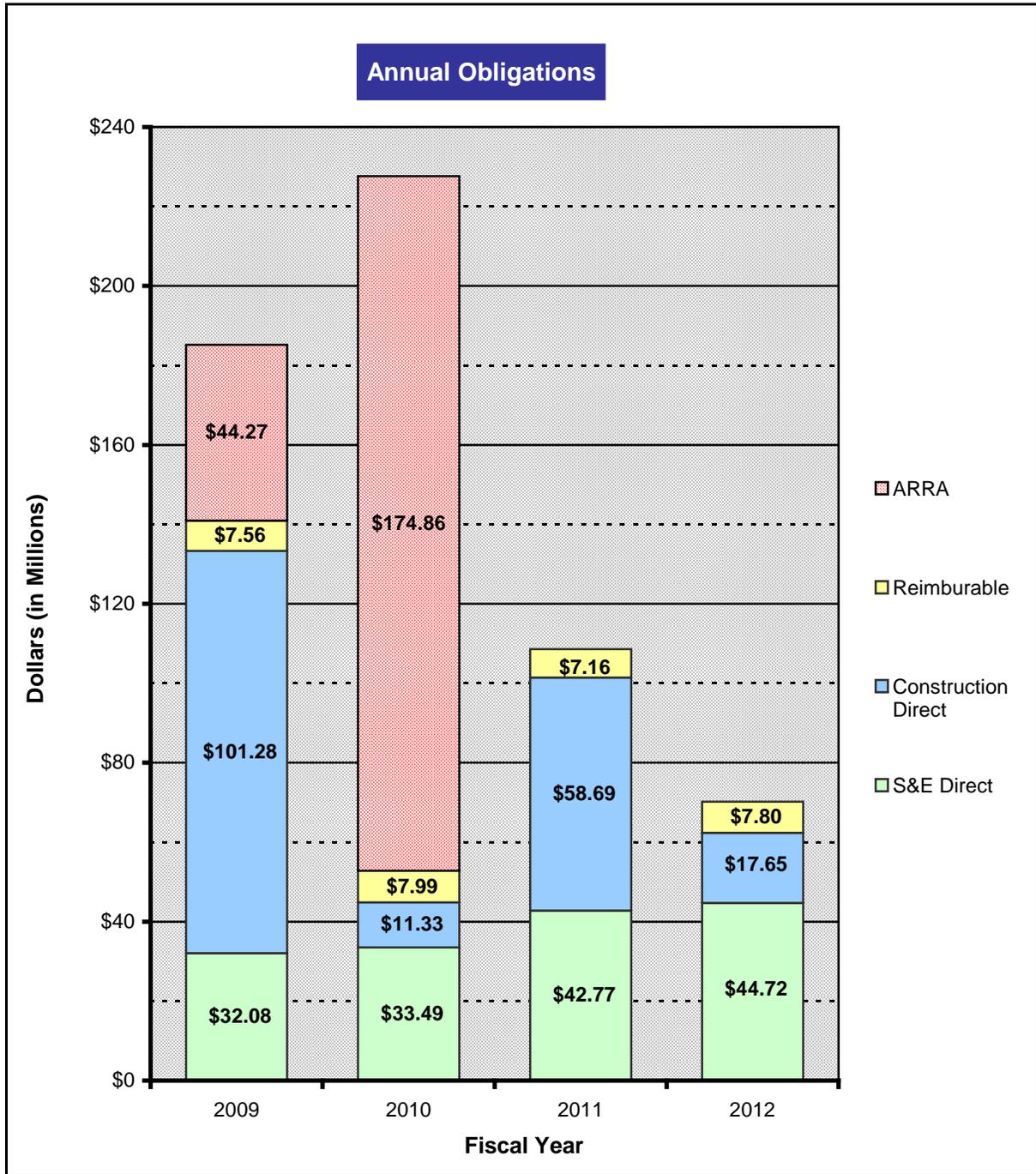
- Operations and maintenance of land and mobile radio communication systems, financial systems, information technology computer systems, etc.
- Development and maintenance of the enterprise geographic information system.
- Execution of stakeholder outreach, foreign affairs, and administrative support 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, received from direct and reimbursable funding sources, incurred among their respective strategic goals are displayed below for the last four fiscal years.

Total Annual Obligations¹⁰:

✚ FY 2009	
◆ S&E Direct Obligations (minus Recoveries):	\$ 32.08 Million
◆ Construction Direct Obligations (minus Recoveries):	\$ 101.28 Million
◆ ARRA Direct Obligations (minus Recoveries):	\$ 44.27 Million
◆ Reimbursable Obligations	\$ 7.56 Million
◆ Total Obligations:	\$ 185.19 Million
✚ FY 2010	
◆ S&E Direct Obligations (minus Recoveries):	\$ 33.49 Million
◆ Construction Direct Obligations (minus Recoveries):	\$ 11.33 Million
◆ ARRA Direct Obligations (minus Recoveries):	\$ 174.86 Million
◆ Reimbursable Obligations	\$ 7.99 Million
◆ Total Obligations:	\$ 227.67 Million
✚ FY 2011	
◆ S&E Direct Obligations (minus Recoveries):	\$ 42.77 Million
◆ Construction Direct Obligations (minus Recoveries):	\$ 58.69 Million
◆ S&E Reimbursable Obligations	\$ 7.16 Million
◆ Total Obligations:	\$ 108.62 Million
✚ FY 2012	
◆ S&E Direct Obligations (minus Recoveries):	\$ 44.72 Million
◆ Construction Direct Obligations (minus Recoveries):	\$ 17.65 Million
◆ Reimbursable Obligations	\$ 7.80 Million
◆ Total Obligations:	\$ 70.17 Million

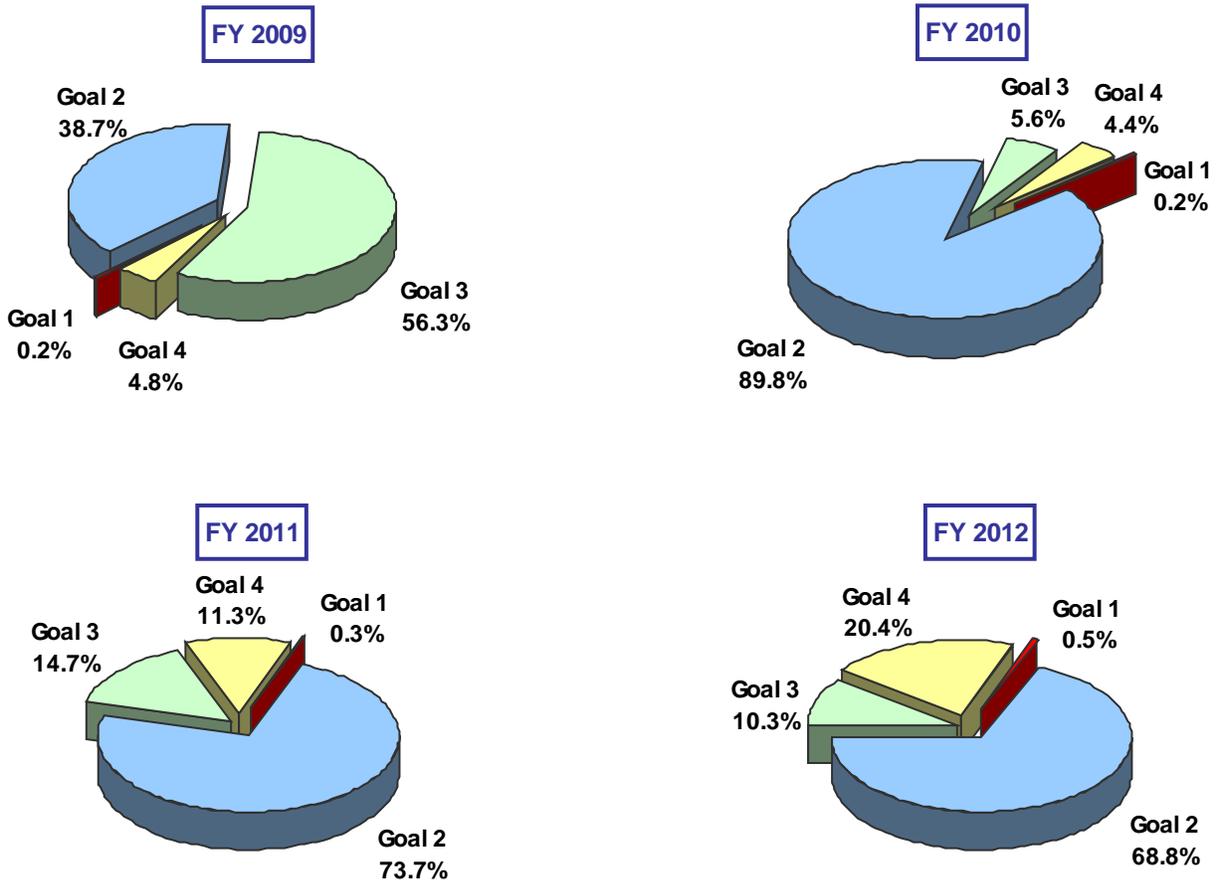
¹⁰ As reported in SF 133, "Report on Budget Execution"



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The graphs below illustrate the application and redistribution of annual fiscal resources among the agency's Strategic Goals to meet mission requirements. Construction of the secondary wastewater treatment facilities in San Diego County, California results in the larger representation of resources under the Water Quality Program (Strategic Goal 3) in FY 2009. The significant redistribution of resources to the Water Conveyance Program (Strategic Goal 2) from FY 2010 through FY 2012 is due to the implementation of several flood control system improvement projects along the Rio Grande.

Annual Obligations among the Strategic Goals



Strategic Goals:

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

FINANCE

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 Department of State's financial accounting firm of Kearney and Company.

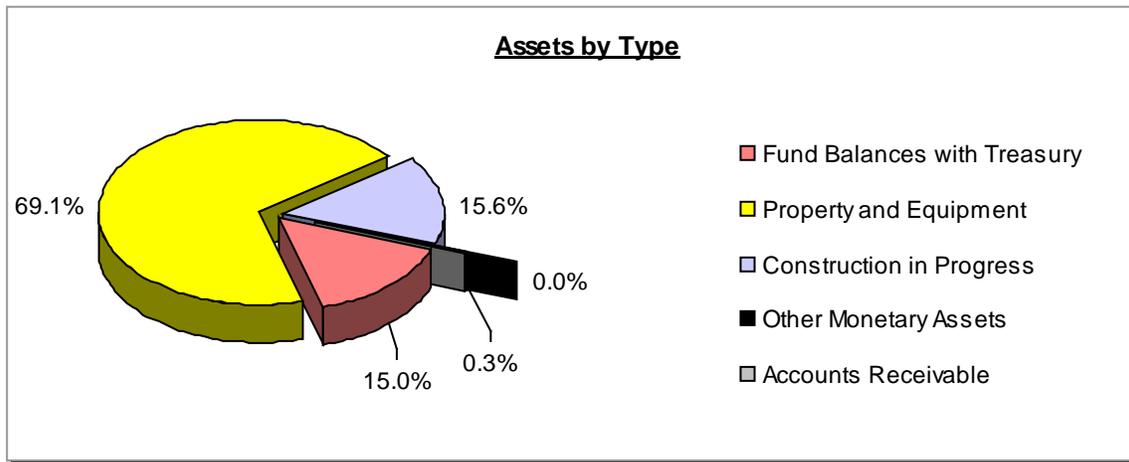
FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE DATA SHEET				
(Dollars in Thousands)				
Assets & Liabilities	% Change	Net Change	FY 2011	FY 2012
Assets				
Fund Balance with Treasury	2.3%	\$3,339	\$146,648	\$149,987
Accounts Receivable	20.9%	\$552	\$2,636	\$3,188
Land	0.0%	\$0	\$50,028	\$50,028
Structures	21.7%	\$151,850	\$699,169	\$851,019
Equipment	9.3%	\$1,537	\$16,451	\$17,988
Construction in Progress	-37.2%	-\$92,510	\$248,794	\$156,284
Accumulated Depreciation	8.7%	-\$18,239	-\$208,578	-\$226,817
Other Monetary Assets	700.0%	-\$2	\$7	\$5
Total Assets	4.9%	\$46,527	\$955,155	\$1,001,682
Liabilities				
Accrued Payroll	8.9%	\$108	\$1,216	\$1,324
Accrued Workers' Compensation	-9.3%	-\$84	\$906	\$822
Workers' Compensation Actuarial	-3.0%	-\$106	\$3,568	\$3,462
Accrued Annual Leave	-2.1%	-\$28	\$1,334	\$1,306
Contact Accruals	-39.6%	-\$4,215	\$10,655	\$6,440
Other Liabilities	115.9%	\$320	\$276	\$596
Total Liabilities	-22.3%	-\$4,005	\$17,955	\$13,950

OVERVIEW OF FINANCIAL POSITION

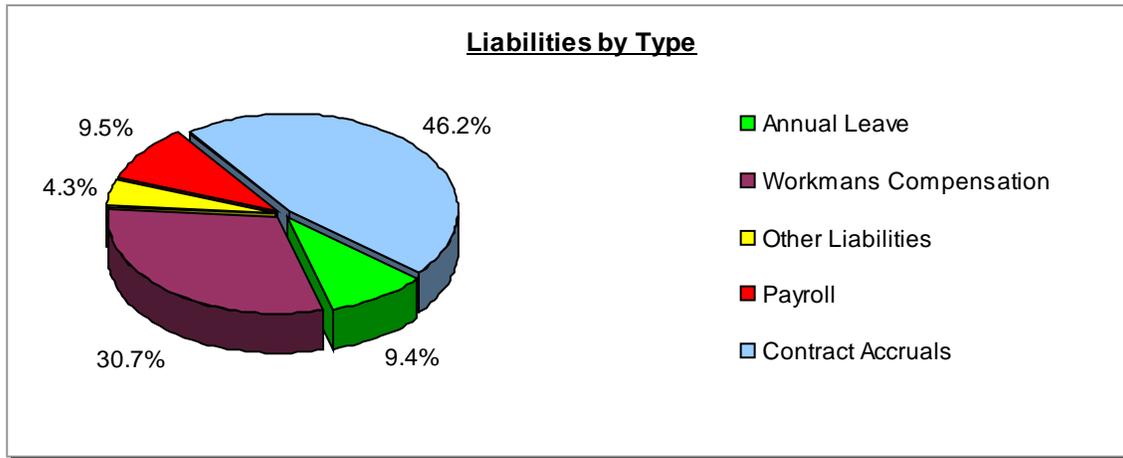
ASSETS

The U.S. Section had total assets of \$1.0 billion at year-end FY 2012, which is \$46.5 million more than in FY 2011. The increase is due to the capitalized construction costs that were completed during the year on the Levee Rehab Project. Fund Balance with Treasury increased during the period by \$3.3 million and Construction in Progress decreased by \$92.5 million. The decrease in Construction in Progress is the result of the work that was finished on the Levee Rehab Project along Rio Grande River in Texas and New Mexico.



LIABILITIES

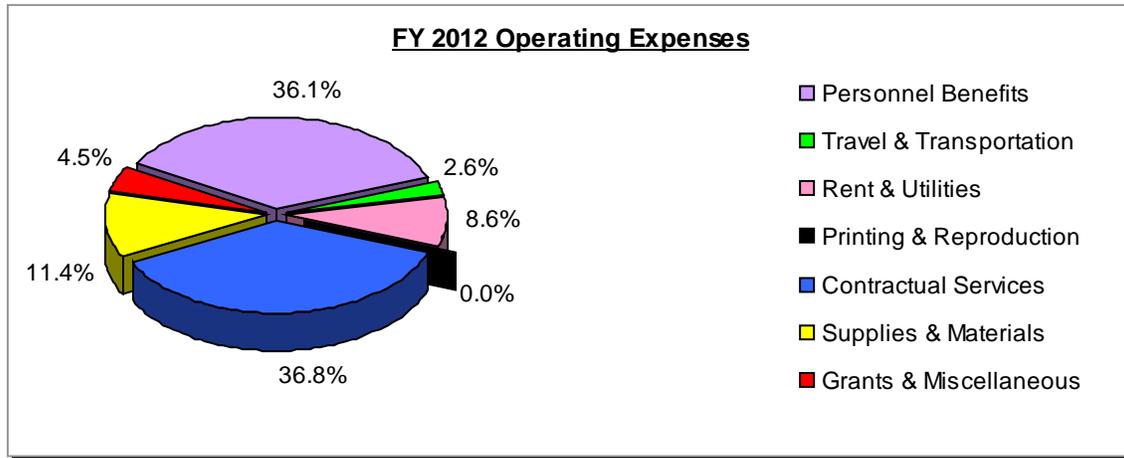
As reported on the Consolidated Balance Sheet, the U.S. Section had total liabilities of \$13.9 million at the end of FY 2012. The largest component of the agency's outstanding liabilities at year-end was the \$6.4 million in contract accruals established as an estimate of the unbilled work that was completed through 30 September 2012 on outstanding Construction and Salaries & Expense contracts. During the year, the Accrued Annual Leave Liability decreased to \$1.3 million and the Workers' Compensation Liabilities decreased to \$4.3 million. The Accrued Payroll Liability increased to \$1.3 million.



RESULTS OF OPERATIONS

The net results of operations for the U.S. Section are reported in the Consolidated Statement of Net Cost, and the Consolidated Statement of Changes in Net Position. These statements reveal that operating expenses increased \$15.1 million, from \$42.9 million to \$58.0 million in FY 2012. This increase was due in part to the additional operations and maintenance costs incurred for the agency's facilities, increases in costs of materials and supplies, and increases in payments to the Mexican Section for joint projects along the US and Mexico border. Below are a table and a graph, summarizing the U.S. Section's operating expenses.

ANNUAL OPERATING EXPENSES (in thousands of dollars)				
Operating Expenses	FY 2011	FY 2012	Net Change	% Change
Personnel Services & Benefits	\$20,686	\$20,956	\$270	1.31%
Travel & Transportation Cost	\$1,406	\$1,503	\$97	6.90%
Rent, Communication, & Utilities	\$4,309	\$4,977	\$668	15.50%
Printing & Reproduction	\$58	\$15	-\$43	-74.14%
Contractual Services	\$12,229	\$21,358	\$9,129	74.65%
Supplies & Materials	\$3,341	\$6,606	\$3,265	97.73%
Grants & Miscellaneous	\$873	\$2,641	\$1,768	202.52%
Total	\$42,902	\$58,056	\$15,154	35.32%

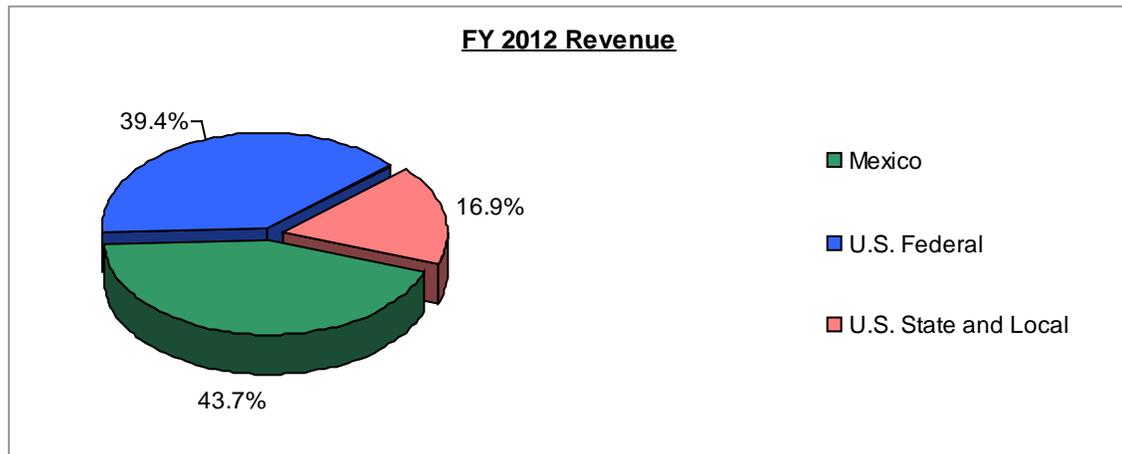


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REVENUES AND FINANCING SOURCES

The U.S. Section's received \$7.767 million in revenues for FY 2012. This was a decrease of \$83K versus the FY 2011 revenues of nearly \$7.850 million. The Department of Energy contributed \$2.6 million in earned revenues for the operation and maintenance of the Amistad and Falcon Hydroelectric Power Plants. The Mexican Section was also a significant contributor of revenue for the U.S. Section. It provided the U.S. Section with \$3.4 million for the operation and maintenance of the South Bay and Nogales International Wastewater Treatment Plants, and other joint works. These and other revenues received are summarized below.

REVENUE & FINANCING SOURCES (in thousands of dollars)				
Financing Sources	FY 2011	FY 2012	Net Change	% Change
Mexico				
Mexico (O&M of SBIWTP)	\$1,920	\$1,892	- \$28	- 1.46%
Mexico (O&M of NIWTP)	\$1,353	\$1,501	\$148	10.94%
Subtotal	\$3,273	\$3,393	\$ 120	3.67%
Federal				
Dept of Homeland Security (Floodwalls)	\$512	\$423	- \$89	- 17.38%
Dept of Energy (O&M of Power Plants)	\$2,409	\$2,639	\$230	9.55%
Subtotal	\$2,921	\$3,062	\$ 141	4.83%
State and Local				
State of Texas (Clean Rivers Program)	\$257	\$226	- \$31	- 12.06%
City of Nogales (O&M of NIWTP)	\$843	\$1,102	\$259	30.72%
Rio Grande Regional Water Authority	\$556	- \$16	- \$572	- 102.88%
Subtotal	\$1,656	\$1,312	- \$ 344	- 20.77%
Total	\$7,850	\$7,767	- \$83	1.06%



INDEPENDENT AUDIT REPORT ON FINANCIAL STATEMENTS

The U.S. Section contracted with the independent certified public accounting firm of Kearney and Company, P. C. (Kearney) to audit the agency's financial statements for the years ending as of 30 September 2012 and 2011, in accordance with generally accepted federal government auditing standards, Office of Management and Budget audit guidance, and the Financial Audit Manual issued by the Government Accountability Office and the President's Council on Integrity and Efficiency. Kearney was charged with assessing the agency's internal control pertaining to compliance with federal financial laws, regulations and reporting. In addition, Kearney was tasked to confirm whether the U.S. Section's financial management systems substantially met the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and to disclose any noncompliance with laws and regulations.

Below are the following reports and associated correspondence:

- Independent Audit Opinion dated December 11, 2012 on the U.S. Section's:
 - Financial Statements;
 - Internal Control;
 - Compliance.
- Letter dated January 5, 2013 from the Commissioner to the Office of Inspector General, Department of State, acknowledging receipt of the Audit Reports.
- Letter dated January 10, 2013 from the Office of Inspector General, Department of State, to the Commissioner.

FINANCIALS STATEMENT AUDIT OPINION



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REPORT OF INDEPENDENT AUDITORS
AUD-FM-13-10

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

We have audited the accompanying consolidated balance sheet of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of September 30, 2012, and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources (hereinafter referred to as “the financial statements”) for the year then ended. These financial statements are the responsibility of USIBWC’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of USIBWC as of September 30, 2011, were audited by other auditors, whose report, dated May 4, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the FY 2012 financial statements referred to above, present fairly, in all material respects, the financial position of USIBWC, as of September 30, 2012, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the Combining Schedule of Budgetary Resources, and Deferred Maintenance be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board who consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the



information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on USIBWC's financial statements taken as a whole. Other Accompanying Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued reports, dated December 11, 2012, on our consideration of USIBWC's internal control over financial reporting and compliance and on our tests of its compliance with certain provisions of laws and regulations for the year ended September 30, 2012. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance, as well as the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, and should be considered in assessing the results of our audits.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

December 11, 2012

INTERNAL CONTROL AUDIT OPINION



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REPORT ON INTERNAL CONTROL

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

We have audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) as of and for the year ended September 30, 2012, and have issued our report dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Management of USIBWC is responsible for establishing, maintaining, and assessing internal control related to financial reporting and compliance.

In planning and performing our work, we considered USIBWC's internal control over financial reporting and compliance by obtaining an understanding of the design effectiveness of USIBWC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of USIBWC's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not to provide an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of USIBWC's internal control over financial reporting and compliance or on management's assertion on internal control included in the Management's Discussion and Analysis section.

We limited our internal control testing to those controls necessary to achieve OMB Bulletin No. 07-04, as amended, control objectives that provide reasonable, but not absolute, assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) transactions are executed in compliance with laws governing the use of budget authority, government-wide policies, and laws identified in Appendix E of OMB Bulletin No. 07-04, as amended, and other laws and regulations that could have a direct and material effect on financial statements. We did not test all internal controls relevant to operating objectives, as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable



possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and compliance was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses.

Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting and compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies. 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. We consider the following deficiencies in the USIBWC's internal control to be significant deficiencies.

Significant Deficiencies

I. Property and Equipment

USIBWC owns a significant amount of diverse property and equipment. As of September 30, 2012, USIBWC reported \$848.5 million in property and equipment, which included real and personal property. Since USIBWC owns and maintains assets at multiple locations along the border between the United States and Mexico, it is essential for USIBWC to have controls in place to monitor and maintain these assets. We identified control deficiencies with USIBWC's property and equipment processes that, when aggregated, constituted a significant deficiency in internal control. Property and equipment was also reported as a significant deficiency by the prior auditor during the audit of the FY 2011 financial statements. The individual deficiencies we identified are summarized as follows:

- Completeness and Accuracy of Construction-in-Progress – Construction costs should be recorded as construction-in-progress (CIP) until the asset being constructed is placed in service, at which time the balance should be transferred to a general property and equipment account. We identified one CIP project that had a negative balance, which had been incorrectly recorded as an operating expense. Separate reviews by USIBWC identified further misclassifications of construction costs and operating expenses. In total, USIBWC identified \$16.4 million of costs improperly recorded as operating expenses that were reclassified as CIP. An additional \$5.3 million in CIP costs were identified as errors and reclassified as operating expenses. Because of known issues with the posting of certain construction costs in the Department of State's (Department) Global Financial Management System (GFMS), USIBWC had implemented a process to manually review transactions recorded to CIP and operating expenses to identify and correct items that were not recorded correctly. However, because of the manual nature of this review, not all transactions that had been improperly recorded as operating expenses were identified and corrected. Due to the size of several active CIP projects, significant amounts may be misclassified and not detected.



- Completeness of Real Property – Property and equipment should be recognized when the title passes to the acquiring entity or when the property or equipment is delivered to the entity. USIBWC did not maintain a complete inventory of all real property assets. We identified three pieces of real property that were not being capitalized in USIBWC’s accounting records. The acquisition cost of these assets totaled \$1.5 million. These assets had been incorrectly recorded as operating expenses in prior years. Although USIBWC corrected the specific items identified by the audit, the lack of a complete real property inventory limits USIBWC’s ability to fully account for and maintain sufficient stewardship of Federal property.
- Completeness of Personal Property – USIBWC’s personal property assets are tracked in the Department’s Integrated Logistics Management System, which interfaces with GFMS. This interface occurs quarterly, prior to the close of the quarterly accounting period. We identified three assets that were properly recorded as additions in the Integrated Logistics Management System by USIBWC but that were not entered until after the quarterly automated interface to GFMS. Although USIBWC performed a manual reconciliation of the assets listed in the two systems as of September 30, 2012, which identified these discrepancies, an adjustment was not made to record the assets in USIBWC’s financial statements, which understated property.

II. Budgetary Accounting

USIBWC used the Department’s budgetary accounting system for monitoring budgetary authority. The information from this system, along with the Department’s proprietary system, is used to compile USIBWC’s statement of budgetary resources. We identified control deficiencies that, when aggregated, constituted a significant deficiency in internal control over budgetary accounting. These individual deficiencies are summarized as follows:

- Timeliness of Obligations – Obligations are definite commitments that create a legal liability of the government for payment. USIBWC should record an obligation in the financial management system when it enters into an agreement, such as a contract or purchase order, to purchase goods or services. We identified two credit card purchases in which USIBWC created the obligation between 1 and 2 months after the purchases were made. In addition, we identified one contract modification that was processed to create a new obligation 5 days after the period of performance in the contract modification had expired. Further, USIBWC had not recorded payroll obligations at the beginning of the year or the beginning of each pay period. USIBWC did not have adequate policies or procedures in place to ensure the timely creation, approval, and recording of obligations. Obligations that are not recorded in a timely manner increase the risk that goods or services may be acquired and received prior to certifying the availability of funds, which may lead to misstatements in USIBWC’s financial statements and potential violations of the Antideficiency Act. In response to these findings, USIBWC has implemented policies for FY 2013 to ensure that valid obligations are in place prior to the expenses being incurred for both credit card and payroll transactions.



- Validity and Accuracy of Unliquidated Obligations – Unliquidated obligations (ULO) represent the cumulative amount of orders, contracts, and other binding agreements not yet outlaid. Although USIBWC conducted quarterly reviews for ULO validity, we identified invalid ULOs amounting to approximately \$522,000 that had not been identified by USIBWC’s review process. USIBWC did not focus its quarterly ULO reviews on specific ULOs that have a greater risk of being invalid, such as obligations with no recent activity. Additionally, staff turnover inhibited a timely review and deobligation of items. Invalid ULOs affect USIBWC’s ability to manage its funds and could result in inaccurate reporting by USIBWC in budgetary reports.
- Budgetary to Proprietary Account Reconciliation – Federal financial accounting standards require an entity to be able to reconcile its proprietary information to its budgetary information. We performed an analysis comparing USIBWC’s Unpaid Expended Authority balance (a budgetary account) to its Accounts Payable balance (a proprietary account). These two accounts should be reconcilable; however, we identified a significant variance for each line item related to the year-end accrual of accounts payable. When this accrual was recorded through a journal voucher, a related budgetary adjustment was not recorded. While USIBWC performs reconciliations of some budgetary and proprietary accounts, it did not reconcile all items. In addition, USIBWC had not implemented a sufficient process for recording its accounts payable accrual that would ensure that when a proprietary accrual is recorded the corresponding budgetary adjustment between Unexpended Obligation and Unpaid Expended Authority is also recorded. While this adjustment does not impact the presentation of the statement of budgetary resources, USIBWCs budgetary accounts are not properly reconciled as required.

III. Information Technology

USIBWC uses key information systems maintained by the Department, including the general support systems and applications for accounting, budget execution, procurement, and logistics. The Department is responsible for maintaining an adequate general and application control environment over these systems. We evaluated the Department’s internal control structure surrounding the general support system and key financial applications that are used by USIBWC. In general, our audit and an audit performed by the Office of Inspector General (OIG) found that the Department had not implemented effective standards, policies, processes, and procedures over its information security program and its financial applications.

We noted weaknesses and vulnerabilities in the general support system and several key applications maintained by the Department. These deficiencies are inherited by USIBWC and present risk to financial and other data, which, in aggregate, we consider to be a significant deficiency in internal control. While we noted that USIBWC had developed some processes and controls to compensate for the deficiencies identified in the Department’s systems, not all risks and deficiencies related to the systems shared with the Department were fully mitigated by those compensating controls. The following weaknesses, identified during Department audits, impact USIBWC:



- Information Security Program – The Department’s OIG performed an audit of the Department’s information security program for FY 2012 in accordance with the Federal Information Security Management Act of 2002 (FISMA).¹ OIG identified numerous weaknesses in the Department’s information security program, which, in aggregate, was reported as a FISMA significant deficiency. The OIG reported weaknesses in the areas of risk management strategy and security authorizations, security configuration management, plans of action and milestones, and the continuous monitoring program. A significant deficiency is the highest level of severity under FISMA. These control weaknesses impact the Department’s general support system, OpenNet. The key Department financial applications used by USIBWC reside on OpenNet, inheriting many of the systems controls.
- Audit Logs for Financial Applications – During the audit of the Department’s FY 2012 financial statements,² we performed risk-based test procedures of the Department’s financial applications. We identified deficiencies for GFMS, which is used by USIBWC as its core accounting system. Specifically, the Department did not regularly review audit logs and investigate significant events. We found that the Department did not have procedures in place that detailed the requirements for performing regular reviews of audit logs for the key financial management applications, including clearly assigning responsibility for the reviews. By not reviewing the audit logs on a regular basis, the Department does not have reasonable assurance that inappropriate access or changes to user accounts would be identified in a timely manner.
- Service and Application Accounts – Also during the audit of the Department’s FY 2012 financial statements, we identified issues relating to the Department’s account authorization practices for significant financial applications. The audit process identified 20 service or application accounts for which the Department was unable to provide documented management approval or business justification. In addition, the Department was unable to document that the service or application accounts had been regularly reviewed by management in order to recertify access permissions. Service accounts are computer accounts used to run background tasks, such as anti-virus software and software patching tools. Application accounts are similar to service accounts but are used to run temporary computer processes, such as interfaces and reports. Service and application accounts are not linked to an individual and are not regularly reviewed and approved by management, increasing the potential that unauthorized activities could occur without timely detection.

* * * * *

¹ *Audit of the Department of State Information Security Program* (AUD-IT-13-03, Nov. 2012).

² *Independent Auditor’s Report on the U.S. Department of State 2012 and 2011 Financial Statements* (AUD-FM-13-08, Nov. 2012).



During the audit, we noted certain other matters that we will report to USIBWC management in a separate letter.

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

This report is intended solely for the information and use of USIBWC management; those charged with governance; and others within OIG, OMB, the Government Accountability Office, and Congress. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

December 11, 2012

COMPLIANCE AUDIT OPINION



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REPORT ON COMPLIANCE

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

We have audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) as of and for the year ended September 30, 2012, and have issued our report dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Management of USIBWC is responsible for compliance with laws and regulations.

As part of obtaining reasonable assurance about whether USIBWC’s financial statements are free of material misstatement, we performed tests of USIBWC’s compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended, that we determined were applicable. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to USIBWC. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our testing disclosed no instances of noncompliance that were required to be reported under the standards applicable to financial audits contained in *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

* * * * *

During the audit, we noted certain matters that we will report to USIBWC management in a separate letter.

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

This report is intended solely for the information and use of USIBWC management; those charged with governance; and others within the Office of Inspector General, OMB, the Government Accountability Office, and Congress, and it is not intended to be and should not be used by anyone other than these specified parties.



December 11, 2012

LETTER FROM THE COMMISSIONER

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

January 5th, 2013



OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

United States Department of State and the Broadcasting Board of Governors
Office of Inspector General
Attn: Evelyn R. Klemstine, Assistant Inspector General for Audits
2201 C. Street, N.W.
Washington, D.C. 20520-0308

Subject: Independent Auditor's report on the International Boundary and Water Commission financial statements for September 30th, 2012.

Dear Ms. Klemstine:

We are very pleased to receive the auditor's FY 2012 report as transmitted by the OIG on December 26th, 2012. This report is the culmination of many months work for both the independent auditor and IBWC teams.

We are also pleased with both the results and effectiveness of the independent auditor, and wish to extend our sincere gratitude for their timely completion of the FY 2012 reporting process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Edward Drusina".

Edward Drusina, P.E.
Commissioner

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

LETTER FROM THE OFFICE OF THE INSPECTOR GENERAL



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

JAN 10 2013

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

Dear Commissioner Drusina:

An independent certified public accounting firm, Kearney & Company, P.C., was engaged to audit the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of September 30, 2012, and for the year then ended, and to provide a report on internal control over financial reporting and compliance with laws and regulations and to report any reportable noncompliance with laws and regulations it tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget audit guidance; and the *Financial Audit Manual*, issued by the Government Accountability Office and the President's Council on Integrity and Efficiency.

In its audit of the USIBWC FY 2012 financial statements, Kearney & Company found

- the consolidated balance sheet and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources present fairly, in all material respects, the financial position of USIBWC as of September 30, 2012, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America;
- no material weaknesses¹ in internal control; and
- no instances of reportable noncompliance with laws and regulations tested.

Kearney & Company is responsible for the attached auditor's report, which includes the Report of Independent Auditors, the Report on Internal Control, and the Report on Compliance, and the conclusions expressed in the report. The Office of Inspector General (OIG) does not express an opinion on the USIBWC financial statements or conclusions on internal control and compliance with laws and regulations.

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

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

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

Sincerely,



Harold W. Geisel
Deputy Inspector General

Enclosure: As stated.

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

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 Commission 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 Commission 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 Commission 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 2012 and FY 2011 in comparative formats.

CONSOLIDATED BALANCE SHEET

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.

International Boundary and Water Commission, United States Section

CONSOLIDATED BALANCE SHEET		
Assets & Liabilities	FY 2012	FY 2011
Assets		
Intragovernmental:		
Fund Balance with Treasury	149,986,889.64	146,647,782.51
Accounts Receivable, Net	816,195.61	692,941.51
Total Intragovernmental	150,803,085.25	147,340,724.02
Cash and other Monetary Assets	0.00	0.00
Accounts Receivable, Net	2,372,162.81	1,943,494.59
Advances	5,185.57	6,777.51
Property, Plant, and Equipment, Net	848,502,529.29	805,863,689.47
Total Assets	\$1,001,682,962.92	\$955,154,685.59
Liabilities		
Intragovernmental:		
Contract Accruals	678,076.10	0.00
Accrued Payroll	295,219.43	281,482.00
Accrued Workers Compensation	822,006.75	905,152.14
Workers Compensation Actuarial	3,462,362.27	3,567,849.51
Total Intragovernmental	5,257,664.55	4,754,483.65
Accounts Payable	222,831.59	3,496.49
Accrued Payroll	1,029,008.95	934,064.00
Contract Accruals	5,762,280.64	10,654,578.34
Advances	113,614.80	63,529.70
Accrued Annual Leave	1,305,677.11	1,333,737.19
Deposit Accounts	259,018.41	211,584.22
Total Liabilities	\$13,950,096.05	\$17,955,473.59
Net Position		
Unexpended Appropriations - Other Funds	156,366,103.60	156,525,271.81
Unexpended Appropriations - Earmarked Funds	0.00	0.00
Cumulative Results of Operations - Other Funds	831,366,763.27	780,673,940.19
Cumulative Results of Operations - Earmarked Funds	0.00	0.00
Total Net Position	\$987,732,866.87	937,199,212.00
Total Liabilities & Net Position	\$1,001,682,962.92	\$955,154,685.59

International Boundary and Water Commission, United States Section

CONSOLIDATED STATEMENT OF NET COSTS

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.

STATEMENT OF NET COST		
Revenues and Expenses	FY 2012	FY 2011
Program Costs		
Operating Expenses	49,418,276.47	36,025,356.62
Operating Expenses, Intragovernmental	3,792,415.94	1,703,017.59
Benefits Expenses	4,845,908.90	5,173,585.29
Depreciation	17,948,243.88	13,780,713.58
Accrued, Annual Leave	- 28,060.08	12,750.66
Workers Compensation	- 188,632.63	- 206,176.77
Accrued Pension Costs	1,697,468.58	1,870,961.62
Loss on Disposition of Equipment	4,300.00	21,256.41
Environmental Liability	0.00	- 4,409,148.00
Capitalized Costs Offset	- 7,645,563.55	0.00
Interest Expense	4,180.15	0.00
Total Costs in Support of Flood Control, Water Quality, and Boundary Demarcation	\$69,848,537.66	\$53,972,317.00
Less Earned Revenue		
O&M Waste Water Treatment Plants	- 4,495,585.77	- 4,117,199.04
Amistad & Falcon Power Plants O&M (DoE)	- 2,639,183.09	- 2,408,976.57
Clean Rivers Program (State of Texas)	- 226,349.23	- 256,500.04
Quarters Rental	- 105,445.65	- 110,737.54
Leases and Licenses	- 41,345.67	- 39,161.18
Dept of Homeland Security-Floodwalls	- 423,236.40	- 512,253.93
Vehicle Maintenance (GSA)	- 32,708.31	- 75,714.28
Morillo Drain O&M-LRGWC	200,000.00	- 165,231.56
O&M Anzalduas Dam Stoplogs	- 5,774.65	- 6,015.60
Water Bulletins, FOIA, & Other	- 581.50	- 17,869.68
Other Services Rendered to Mexico	3,000.00	- 107,937.77
Gaging Stations O&M (Hidalgo County)	0.00	- 32,396.33
Total Earned Revenue in Support of Flood Control, Water Quality, and Boundary Demarcation	- \$7,767,210.27	- \$7,849,993.52
Net Cost of Operations	\$62,081,327.39	\$46,122,323.48

International Boundary and Water Commission, United States Section

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

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.

STATEMENT OF CHANGES IN NET POSITION				
Items	FY 2012 CY Earmarked Funds	FY 2012 CY All Other Funds	FY 2012 CY Eliminations	FY 2012 CY Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	0.00	780,673,940.19	0.00	780,673,940.19
Adjustments	0.00	1,135,622.00	0.00	1,135,622.00
Beginning Balances, Adjusted	0.00	781,809,562.19	0.00	781,809,562.19
Budgetary Financing Sources:				
Other Adjustments	0.00	0.00	0.00	0.00
Appropriations Used	0.00	76,188,317.33	0.00	76,188,317.33
Non-Exchange Revenue	0.00	21,686,271.10	0.00	21,686,271.10
Transfers in/out	0.00	- 58,822.54	0.00	- 58,822.54
Other Financing Sources:				
Donated Property	0.00	12,195,294.00	0.00	12,195,294.00
Imputed Financing	0.00	1,697,468.58	0.00	1,697,468.58
Net Cost of Operations	0.00	- 62,081,327.39	0.00	- 62,081,327.39
Net Change	0.00	0.00	0.00	0.00
Cumulative Results of Operations	\$0.00	\$831,366,763.27	\$0.00	\$831,366,763.27
Unexpended Appropriations:				
Beginning Balance	0.00	156,525,271.81	0.00	156,525,271.81
Adjustments	0.00	0.00	0.00	0.00
Beginning Balance, Adjusted	0.00	156,525,271.81	0.00	156,525,271.81
Budgetary Financing Sources:				
Appropriations Received	0.00	76,175,000.00	0.00	76,175,000.00
Other Adjustments	0.00	- 215,850.88	0.00	- 215,850.88
Appropriations Used	0.00	- 76,118,317.33	0.00	- 76,118,317.33
Total Budgetary Financing Sources	0.00	- 159,168.21	0.00	- 159,168.21
Total Unexpended Appropriations	\$0.00	\$156,366,103.60	\$0.00	\$156,366,103.60
Net Position	\$0.00	\$987,732,866.87	\$0.00	\$987,732,866.87

International Boundary and Water Commission, United States Section

STATEMENT OF CHANGES IN NET POSITION				
Items	FY 2011 PY Earmarked Funds	FY 2011 PY All Other Funds	FY 2011 PY Eliminations	FY 2011 PY Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	0.00	457,502,450.74	0.00	457,502,450.74
Adjustments	0.00	0.00	0.00	0.00
Beginning Balances, Adjusted	0.00	457,502,450.74	0.00	457,502,450.74
Budgetary Financing Sources:				
Other Adjustments	0.00	0.00	0.00	0.00
Appropriations Used	0.00	168,622,736.20	0.00	168,622,736.20
Transfers in/out	0.00	- 301,694.89	0.00	- 301,694.89
Other Financing Sources:				
Donated Property	0.00	199,101,810.00	0.00	199,101,810.00
Imputed Financing	0.00	1,870,961.62	0.00	1,870,961.62
Net Cost of Operations	0.00	- 46,122,323.48	0.00	- 46,122,323.48
Net Change	0.00	0.00	0.00	0.00
Cumulative Results of Operations	\$0.00	\$780,673,940.19	\$0.00	\$780,673,940.19
Unexpended Appropriations:				
Beginning Balance	0.00	255,822,445.36	0.00	255,822,445.36
Adjustments	0.00	0.00	0.00	0.00
Beginning Balance, Adjusted	0.00	255,822,445.36	0.00	255,822,445.36
Budgetary Financing Sources:				
Appropriations Received	0.00	69,800,000.00	0.00	69,800,000.00
Other Adjustments	0.00	- 474,437.35	0.00	- 474,437.35
Appropriations Used	0.00	- 168,622,736.20	0.00	- 168,622,736.20
Total Budgetary Financing Sources	0.00	- 99,297,173.55	0.00	- 99,297,173.55
Total Unexpended Appropriations	\$0.00	\$156,525,271.81	\$0.00	\$156,525,271.81
Net Position	\$0.00	\$937,199,212.00	\$0.00	\$937,199,212.00

International Boundary and Water Commission, United States Section

CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES

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).

STATEMENT OF BUDGETARY RESOURCES				
	FY 2012	FY 2012	FY 2011	FY 2011
	Budgetary	Non-Budgetary Credit Reform Fin. Accts	Budgetary	Non-Budgetary Credit Reform Fin. Accts
Schedule of Budgetary Resources:				
1000 Unobligated Bal Fwd Oct 01	50,560,791.81	0.00	82,821,182.45	0.00
1021 Recoveries of PY Obligations	5,257,727.70	0.00	6,827,614.56	0.00
1029 Unoblig Balance Withdrawn	- 215,850.88	0.00	- 334,837.35	0.00
1050 Unoblig Balance, Total	55,602,671.63	0.00	89,313,959.66	0.00
Budget Authority:				
1100 Appropriations	76,175,000.00	0.00	69,800,000.00	0.00
1120 Appropriation Transfers to	0.00	0.00	0.00	0.00
1121 Appropriation Transfers from	0.00	0.00	0.00	0.00
1130 Appropriations Reduced	0.00	0.00	- 139,600.00	0.00
1134 Appropriations Precluded from Oblig	0.00	0.00	0.00	0.00
1150 Anticipated Appropriations	0.00	0.00	0.00	0.00
1160 Appropriations Total	76,175,000.00	0.00	69,660,400.00	0.00
1700 Spending Authority, Collected	28,892,821.61	0.00	6,839,581.41	0.00
1701 Change in Uncoll Payments-Fed	- 114,219.17	0.00	191,826.94	0.00
1740 Spending Authority, Anticipated	0.00	0.00	0.00	0.00
1750 Spending Auth Collections Total	28,778,602.44	0.00	7,031,408.35	0.00
1900 Budget Authority Total	104,953,602.44	0.00	76,691,808.35	0.00
1910 Total Budgetary Resources	160,556,274.07	0.00	166,005,768.01	0.00
Status of Budgetary Resources:				
Obligations Incurred Direct:				
2001 Direct Oblig Incurred Cat A	45,091,786.02	0.00	43,020,023.06	0.00
2002 Direct Oblig Incurred Cat B	19,479,896.73	0.00	65,265,996.86	0.00
2004 Direct Obligations, Total	64,571,682.75	0.00	108,286,019.92	0.00
Obligations Incurred Reimbursable:				
2101 Reimbursable Oblig Cat A	7,254,000.52	0.00	6,765,604.09	0.00
2102 Reimbursable Oblig Cat B	53,562.85	0.00	393,349.19	0.00
2104 Reimbursable Oblig Total	7,307,563.37	0.00	7,158,953.28	0.00
2201 Available in Current Period	85,309,447.59	0.00	45,180,638.07	0.00
2403 Other	3,367,580.36	0.00	5,380,156.74	0.00
2500 Total Budgetary Resources	160,556,274.07	0.00	166,005,768.01	0.00

International Boundary and Water Commission, United States Section

STATEMENT OF BUDGETARY RESOURCES				
	FY 2012	FY 2012	FY 2011	FY 2011
	Budgetary	Non-Budgetary Credit Reform Fin. Accts	Budgetary	Non-Budgetary Credit Reform Fin. Accts
Change in Obligated Balance:				
Obligated Balance Start of Year:				
3000 Unpaid Obligations, Brought Fwd	98,777,965.25	0.00	176,807,492.05	0.00
3010 Uncoll Customer Payments Fwd	- 2,902,561.77	0.00	- 2,710,734.83	0.00
3020 Obligated Bal, Start of Year	95,875,403.48	0.00	174,096,757.22	0.00
3030 Obligations Incurred, Unexpired Accts	69,696,065.94	0.00	113,905,424.00	0.00
3031 Obligations Incurred, Expired Accts	2,183,180.18	0.00	1,539,549.20	0.00
3040 Outlays, Gross	- 101,560,297.79	0.00	- 186,646,885.44	0.00
3050 Change in Uncoll Payments-Fed CY	- 660,531.24	0.00	- 1,072,895.66	0.00
3051 Change in Uncoll Payments-Fed PY	774,750.41	0.00	881,068.72	0.00
3081 Recoveries, PY Unpaid Obligations	- 5,257,727.70	0.00	- 6,827,614.56	0.00
3090 Unpaid Obligations, End of Year	63,839,185.88	0.00	98,760,556.22	0.00
3091 Uncoll Customer Payments-Fed	- 2,788,342.60	0.00	- 2,885,152.74	0.00
3100 Obligated Balance, End of Year	61,050,843.28	0.00	95,875,403.48	0.00
Budget Authority and Outlays, Net				
4000 Budget Authority, Gross	104,953,602.44	0.00	76,691,808.35	0.00
4010 Outlays from New Authority	41,724,725.21	0.00	59,557,094.85	0.00
4011 Outlays from Balances	59,835,572.58	0.00	127,089,790.59	0.00
4020 Total Outlays, Gross	101,560,297.79	0.00	186,646,885.44	0.00
4030 Offsetting Collections-Fed	- 28,892,821.61	0.00	- 6,839,581.41	0.00
4040 Offsets Against BA & Outlays	- 28,892,821.61	0.00	- 6,839,581.41	0.00
4050 Change Uncoll Payments-Fed CY	- 660,531.24	0.00	- 1,072,895.66	0.00
4051 Change Uncoll Payments-Fed PY	774,750.41	0.00	881,068.72	0.00
4060 Additional Offsets Against BA	114,219.17	0.00	- 191,826.94	0.00
4070 Budgetary Authority, Net	76,175,000.00	0.00	69,660,400.00	0.00
4080 Total Outlays, Net	72,667,476.18	0.00	179,807,304.03	0.00
4180 Budget Authority, Net	76,175,000.00	0.00	69,660,400.00	0.00
4190 Outlays, Net	72,667,476.18	0.00	179,807,304.03	0.00

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

SUMMARY OF 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 Statement of Budgetary Resources for FY 2011 have been reformatted to conform to the A-136 reporting requirements for FY 2012.

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). GAAP for federal entities are in the hierarchy of accounting principles prescribed in the American Institute of Certified Public Accountants' Statement of Auditing Standards No. 91, Federal GAAP Hierarchy, by the Federal Accounting Standards Advisory Board, which is designated as the official accounting standards-setting body of the Federal Government by the American Institute of Certified Public Accountants.

Reporting Entity

As previously noted, the International Boundary and Water 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. Cash represents balances held outside the U.S. Treasury by imprest fund cashiers for the U.S. Section.

Property and Equipment

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

Liabilities

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

Accrued Liabilities

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

Annual, Sick, and Other Leave

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

Retirement Plans

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

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

FUND BALANCE WITH TREASURY

A summary of the fund balances with the U.S. Treasury as of September 30, 2012, and September 30, 2011, are provided below.

FUND BALANCES WITH TREASURY		
As of September 30:	FY2012	FY2011
Salaries & Expenses Appropriation	\$15,288,590.52	\$14,686,686.55
Construction Appropriation	\$134,439,280.71	\$131,749,511.74
Budget Clearing Account	\$259,018.41	\$211,584.22
Total	\$149,986,889.64	\$146,647,782.51
Status of Fund Balances with Treasury		
Unobligated Balance		
Available	\$85,309,447.59	\$42,295,485.33
Unavailable	\$3,367,580.36	\$5,380,156.74
Obligated Balance not yet Disbursed	\$61,050,843.28	\$98,760,556.22
Non-Budgetary FBWT	\$259,018.41	\$211,584.22
Total	\$149,986,889.64	\$146,647,782.51

International Boundary and Water Commission, United States Section

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, 2012 and 2011:

ACCOUNTS RECEIVABLE		
As of September 30:	FY2012	FY2011
Intra-Governmental Receivables		
Current		
Accounts Receivable-Billed	\$0.00	\$0.00
Accounts Receivable-Unbilled	\$816,195.61	\$692,941.51
Governmental Receivables		
Current		
Accounts Receivable-Billed	\$99,741.13	\$99,049.49
Accounts Receivable-Unbilled	\$2,272,421.68	\$1,844,445.10
Long Term		
Accounts Receivable-Unbilled	\$0.00	\$0.00
Total	\$3,188,358.42	\$2,636,436.10
As of September 30, 2012 and 2011, Mexico owed the U.S. Section the following amounts:		
4th QTR O&M Costs, Tijuana Sanitation Plant	\$500,000.00	\$500,000.00
O&M Costs of the Nogales Wastewater Treatment Plant	\$1,744,143.62	\$1,124,000.00
O&M Anzalduas Dam Stoplogs	\$5,763.30	\$5,100.00
O&M Cordova Bridge	\$0.00	\$6,000.00
Total	\$2,249,906.92	\$1,635,100.00

Mexico's budget is currently operating on a calendar year basis, therefore payment for the above receivables will be received during the 1st QTR of our fiscal year. All of the accounts receivables are current and none are passed due as of 30 September 2012. The majority of the receivables are due from 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 30 September 2012.

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment as of 30 September 2012 and 2011, consisted of the following:

Classes of Fixed Assets	PROPERTY AND EQUIPMENT			
	FY2012 Acquisition Value	FY2012 Accumulated Depreciation	FY2012 Net Value	FY 2011 Net Value
Land	50,027,860.72	0.00	50,027,860.72	50,027,860.72
Structures, Facilities and Leasehold Improvements	851,019,451.64	- 213,174,030.50	637,845,421.14	503,306,555.20
Equipment	17,987,650.94	- 13,642,892.32	4,344,758.62	3,735,706.57
Construction in Progress	156,284,488.81	0.00	156,284,488.81	248,793,566.98
Total	\$1,075,319,452.11	- \$226,816,922.82	\$848,502,529.29	\$805,863,689.47

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 agency's capitalization threshold is \$25,000.00. 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 U.S. Section's assets follows.

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

International Boundary and Water Commission, United States Section

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES		
	FY 2012	FY 2011
Intragovernmental:		
Workers' Compensation Liability	\$822,006.75	\$905,152.14
FECA Actuarial Liability	3,462,362.27	3,567,849.51
Total Intragovernmental	4,284,369.02	4,473,001.65
Unfunded Annual Leave	1,305,677.11	1,333,737.19
Total Liabilities Not Covered by Budgetary Resources	5,590,046.13	5,806,738.84
Total Liabilities Covered by Budgetary Resources	8,360,049.92	\$12,148,734.75
Total Liabilities	\$13,950,096.05	\$17,955,473.59

OTHER LIABILITIES

OTHER LIABILITIES		
	FY2012	FY2011
Current Liabilities		
Intragovernmental Liabilities		
Accounts Payable	\$0.00	\$0.00
Accrued Payroll-Fringe Benefits	\$295,219.43	\$281,482.00
Contract Accruals	\$678,076.10	\$0.00
Other Liabilities		
Contract Accruals	\$5,762,280.64	\$10,654,578.34
Accounts Payable	\$222,831.59	\$3,496.49
Accrued Payroll-Labor	\$1,029,008.95	\$934,064.00
Advances	\$113,614.80	\$63,529.70
Deposit Funds	\$259,018.41	\$211,584.22
Total Current Liabilities	\$8,360,049.92	\$12,148,734.75
Non-Current Liabilities	\$0.00	\$0.00
Total Non-Current Liabilities	\$0.00	\$0.00

International Boundary and Water Commission, United States Section

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.

INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE		
	FY2012	FY2011
Salaries & Expenses Appropriation		
Intragovernmental Costs	\$9,348,579.05	\$8,164,776.09
Public Costs	\$46,288,259.59	\$45,004,237.92
Total Salaries & Expenses Costs	\$55,636,838.64	\$53,169,014.01
<hr/>		
Intragovernmental Revenue	- \$2,671,891.40	- \$2,484,690.85
Public Revenue	- \$4,672,082.47	- \$4,853,048.74
Total Salaries & Expenses Revenue	- \$7,343,973.87	- \$7,337,739.59
<hr/>		
Construction Appropriation		
Intragovernmental Costs	\$798,581.74	\$376,611.64
Public Costs	\$13,413,117.28	\$426,691.35
Total Construction Costs	\$14,211,699.02	\$803,302.99
<hr/>		
Intragovernmental Revenue	- \$423,236.40	- \$512,253.93
Total Construction Revenue	- \$423,236.40	- \$512,253.93

EXCHANGE REVENUES

For the years ended 30 September 2012 and 2011, revenues from services provided and other revenues and financial sources consisted of the following:

EXCHANGE REVENUES		
	FY2012	FY2011
Dept of Homeland Security-Floodwalls	- \$423,236.40	- \$512,253.93
O&M Wastewater Treatment Plants	- \$4,495,585.77	- \$4,117,199.04
Power Plant O&M - DOE	- \$2,639,183.09	- \$2,408,976.57
Clean Rivers Project - Texas	- \$226,349.23	- \$256,500.04
Vehicle Maintenance-GSA	- \$32,708.31	- \$75,714.28
Quarters Rental	- \$105,445.65	- \$110,737.54
Leases/Licenses	- \$41,345.67	- \$39,161.18
Morillo Drain O&M - LRGWC	\$200,000.00	- \$165,231.56
O&M Anzalduas Dam Stoplogs	- \$5,774.65	- \$6,015.60
Water Bulletins/FOIA/Other	- \$581.50	- \$17,869.68
Other Services Rendered to Mexico	\$3,000.00	- \$107,937.77
O&M Gaging Stations-Hidalgo County	\$0.00	- \$32,396.33
Total Earned Revenue	- \$7,767,210.27	- \$7,849,993.52

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.

International Boundary and Water Commission, United States Section

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

For the years ended 30 September 2012 and 2011, revenues from services provided and other revenues and financial sources consisted of the following:

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED		
	FY2012	FY2011
Salaries & Expenses (Category A) Apportionment		
Direct Obligations	\$45,091,786.02	\$43,020,023.06
Reimbursable Obligations	\$7,254,000.52	\$6,765,604.09
Total Obligations Category A	\$52,345,786.54	\$49,785,627.15
Construction (Category B) Apportionment		
Direct Obligations	\$19,479,896.73	\$65,265,996.86
Reimbursable Obligations	\$53,562.85	\$393,349.19
Total Obligations Category B	\$19,533,459.58	\$65,659,346.05

UNDELIVERED ORDERS AT THE END OF THE PERIOD

UNDELIVERED ORDERS AT THE END OF THE PERIOD		
Appropriations:	FY2012	FY2011
Salaries and Expenses		
Fund 1971069	\$0.00	\$178,020.96
Fund 1981069	\$229,567.57	\$467,447.91
Fund 1991069	\$275,938.42	\$508,900.28
Fund 1901069	\$163,927.05	\$425,313.82
Fund 1911069	\$1,438,085.27	\$13,496,045.88
Fund 1921069	\$13,263,274.73	\$0.00
Total S&E Appropriations	\$15,370,793.04	\$15,075,728.85
Construction Appropriations		
Fund 19X1078	\$33,468,957.27	\$43,703,172.39
Fund 199/01079	\$14,839,011.44	\$39,934,916.24
Total Construction Appropriations	\$48,307,968.71	\$83,638,088.63

International Boundary and Water Commission, United States Section

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The reconciliation of net cost of operations to budget for the years ending September 30, 2012 and 2011 is as follows:

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		
For the Years Ending September 30, 2012 and 2011:	FY 2012 (CY)	FY 2011 (PY)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
1. Obligations Incurred	\$71,879,246.12	\$115,444,973.20
2. Less Spending Authority from Offsetting Collections\Recoveries	- \$34,036,330.14	- \$13,859,022.91
3. Obligations Net of Offsetting Collections and Recoveries	\$37,842,915.98	\$101,585,950.29
4. Less: Offsetting Receipts	\$0.00	\$0.00
5. Net Obligations	\$37,842,915.98	\$101,585,950.29
Other Resources		
6. Donations and Forfeitures of Property	\$0.00	\$199,101,810.00
7. Transfers In/Out without Reimbursement	\$0.00	\$0.00
8. Imputed Financing from Costs Absorbed by Others	\$1,697,468.58	\$1,870,961.62
9. Other Resources Used to Finance Activities	\$0.00	\$0.00
10. Net Other Resources Used to Finance Activities	\$1,697,468.58	\$200,972,771.62
11. Total Resources Used to Finance Activities	\$39,540,384.56	\$302,558,721.91
Resources Used to Finance Items not Part of the Net Cost of Operations		
12. Change in Budgetary Resources Obligated for Goods, Services, & Benefits Ordered but not Yet Provided	\$35,035,055.73	\$77,666,877.50
13. Resources that Fund Expenses Recognized in Prior Periods	- \$514,328.02	\$0.00
14. Budgetary offsetting Collections and Receipts that do not Affect net cost of operations		
14a. Net Change Unfilled Orders	\$0.00	\$0.00
14b. Other	\$21,686,271.10	- \$818,585.17
15. Resources that finance the acquisition of assets	- \$51,400,472.10	- \$142,538,115.28
16. Other Resources or Adjustments to net obligated resources that do not affect net cost of operations	\$0.00	- \$199,101,810.00
17. Total Resources Used to Finance items Not Part of the Net Cost of Operations	\$4,806,526.71	- \$264,791,632.95
18. Total Resources Used to Finance the Net Cost of Operations	\$44,346,911.27	\$37,767,088.96

International Boundary and Water Commission, United States Section

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		
For the Years Ending September 30, 2012 and 2011:	FY 2012 (CY)	FY 2011 (PY)
Components of the Net Cost of Operations that will not Require nor Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
19. Increase in Annual leave Liability	- \$28,060.08	\$12,750.66
20. Increase in Workmen's Compensation Liability	- \$188,632.63	- \$206,176.77
21. Labor Estimates	\$0.00	\$45,040.07
22. Contract Accruals	\$26,345.07	- \$763,403.00
23. Contingent and Environmental Liabilities	\$0.00	- \$4,409,148.00
25. Net Change in Revenue Estimates	\$0.00	\$0.00
24. Total Components of Net Cost of Operations that will require or generate resources in future periods	- \$190,347.64	- \$5,320,937.04
Components Not Requiring or Generating Resources		
26. Depreciation and Amortization	\$17,948,243.88	\$13,780,713.58
27. Revaluation of Assets or Liabilities	\$4,300.00	\$21,256.41
28. Other	- \$27,780.12	- \$125,798.43
29. Total Components of Net Cost of Operations that will not require or Generate Resources	\$17,924,763.76	\$13,676,171.56
30. Total Components of Net Cost of Operations that will require or Generate Resources in the current period	\$17,734,416.12	\$8,355,234.52
31. Net Cost of Operations	\$62,081,327.39	\$46,122,323.48

International Boundary and Water Commission, United States Section

LEASES

The agency leased 86 vans, pickup trucks, and passenger vehicles from GSA for the twelve months of the fiscal years. The approximate costs of the vehicles leases for FY 2012 was \$578,969.56. The leased vehicles were utilized by the Headquarters staff located in El Paso, Texas and the twelve field office locations in Texas, New Mexico, Arizona, and California.

The agency also leased 11 copiers during the fiscal year for approximately \$34,587.05. The copiers included Xerox and Kyocera brand machines located in Headquarters and the field offices. The copiers were leased on a twelve month basis for FY 2012.

The agency leased miscellaneous types of equipment such as heavy duty water pumps and chlorine cylinders during this period. The agency also leased radio communication tower space for its antennas to support two way radio communications between the field offices and employees working in remote areas along the border. The approximate value of the leased miscellaneous equipment and radio communication tower space was \$25,737.53.

Future projected payments of leases for GSA vehicles and copiers are as follows:

Estimated Future Payments:	GSA Vehicles	Copiers
FY 2013	\$580,000.00	\$36,000.00
FY 2014	\$580,000.00	\$36,000.00
FY 2015	\$580,000.00	\$36,000.00
FY 2016	\$580,000.00	\$36,000.00
FY 2017	\$580,000.00	\$36,000.00
Projected Total Payments:	\$2,900,000.00	\$180,000.00

PROGRAM AND OPERATING EXPENSES

The following is a summary of the U.S. Section's program and operating expenses for the year ended September 30, 2012 and 2011.

Expenses by Object Classification	FY2012	FY2011
Personnel Services and Benefits	\$20,955,914.64	\$20,686,319.50
Travel and Transportation	\$1,503,069.87	\$1,406,346.74
Rent, Communications, and Utilities	\$4,977,107.31	\$4,308,318.00
Printing and Reproduction	\$14,975.90	\$57,541.76
Contractual Services	\$21,358,374.48	\$12,228,335.75
Supplies and Materials	\$6,606,117.47	\$3,341,742.26
Grants, Miscellaneous	\$2,641,041.64	\$873,355.49
Total Program and Operating Expenses	\$58,056,601.31	\$42,901,959.50

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES

Below is a table that summarizes the U.S. Section's budgetary resources under both the Salaries & Expenses and Construction Appropriations at fiscal year-end.

COMBINING STATEMENT OF BUDGETARY RESOURCES				
As of 30 September 2012 CY:		FY 2012 S&E 19_1069	FY 2012 19X1078 199/01079	Total
Schedule of Budgetary Resources				
1000	Unobligated Bal Brought forward, October 1	\$526,925.22	\$50,033,869.59	\$50,560,794.81
1021	Recoveries of Prior Yr Unpaid Obligations	\$1,131,930.25	\$4,125,797.45	\$5,257,727.70
1029	Unobligated Balance Withdrawn	- \$215,850.88	\$0.00	- \$215,850.88
1050	Unobligated Balance, Total	\$1,443,004.59	\$54,159,667.04	\$55,602,671.63
Budget Authority:				
1100	Appropriations	\$44,722,000.00	\$31,453,000.00	\$76,175,000.00
1120	Appropriations Transferred to other accounts.			
1121	Appropriations Transferred from other accounts			
1130	Appropriations Permanently Reduced	\$0.00	\$0.00	\$0.00
1134	Appropriations Precluded from Obligation			
1150	Anticipated Appropriation			
1160	Appropriations - total	\$44,722,000.00	\$31,453,000.00	\$76,175,000.00
1700	Spending Authority: Collected	\$6,916,133.11	\$21,976,688.50	\$28,892,821.61
1701	Change in Uncollected Payments- Federal	\$336,749.14	- \$450,968.31	- \$114,219.17
1740	Spending Authority , Anticipated	\$0.00	\$0.00	\$0.00
1750	Spending Auth Offsetting Coll-Total	\$7,252,882.25	\$21,525,720.19	\$28,778,602.44
1900	Budget Authority Total	\$51,974,882.25	\$52,978,720.19	\$104,953,602.44
1910	Total Budgetary Resources	\$53,417,886.84	\$107,138,387.23	\$160,556,274.07
Status of Budgetary Resources				
Obligations Incurred, Direct:				
2001	Direct Obligations Incurred ,Category A	\$45,091,786.02	\$0.00	\$45,091,786.02
2002	Direct Obligations Incurred ,Category B	\$0.00	\$19,479,896.73	\$19,479,896.73
2004	Direct Obligations, Total	\$45,091,786.02	\$19,479,896.73	\$64,571,682.75
Obligations Incurred, Reimbursable:				
2101	Reimbursable Obligations, Category A	\$7,254,000.52	\$0.00	\$7,254,000.52
2102	Reimbursable Obligations, Category B	\$0.00	\$53,562.85	\$53,562.85

International Boundary and Water Commission, United States Section

COMBINING STATEMENT OF BUDGETARY RESOURCES				
As of 30 September 2012 CY:		FY 2012 S&E 19_1069	FY 2012 19X1078 199/01079	Total
2104	Reimbursable Obligations, Total	\$7,254,000.52	\$53,562.85	\$7,307,563.37
	Unobligated Balance Apportioned	\$0.00	\$0.00	\$0.00
2201	Available in Current Period	\$3,050.99	\$85,306,396.60	\$85,309,447.59
2403	Other	\$1,069,049.31	\$2,298,531.05	\$3,367,580.36
2500	Total Budgetary Resources	\$53,417,886.84	\$107,138,387.23	\$160,556,274.07
Change in Obligated Balance				
Obligated Balance, start of year:				
3000	Unpaid Obligations, Brought Forward	\$14,998,001.66	\$83,779,963.59	\$98,777,965.25
3010	Uncoll Customer Payments Brought Fwd	- \$838,240.33	- \$2,064,321.44	- \$2,902,561.77
3020	Obligated balance, start of year.	\$14,159,761.33	\$81,715,642.15	\$95,875,403.48
3030	Obligations Incurred, Unexpired Accts	\$51,989,872.76	\$17,706,193.18	\$69,696,065.94
3031	Obligations Incurred, Expired Accts	\$355,913.78	\$1,827,266.40	\$2,183,180.18
3040	Outlays, Gross	- \$50,820,378.26	- \$50,739,919.53	- \$101,560,297.79
3050	Change in Uncollected Payments- Fed CY	- \$1,111,499.55	\$450,968.31	- \$660,531.24
3051	Change in Uncollected Payments- Fed PY	\$774,750.41	\$0.00	\$774,750.41
3081	Recoveries, Prior Yr unpaid obligations	- \$1,131,930.25	- \$4,125,797.45	- \$5,257,727.70
3090	Unpaid Obligations, End of Year	\$15,391,479.69	\$48,447,706.19	\$63,839,185.88
3091	Uncoll Customer Payments- Federal	- \$1,174,989.47	- \$1,613,353.13	- \$2,788,342.60
3100	Obligated Balance, End of Year	\$14,216,490.22	\$46,834,353.06	\$61,050,843.28
Budget Authority & Outlays, Net				
4000	Budget Authority, Gross	\$51,974,882.25	\$52,978,720.19	\$104,953,602.44
4010	Outlays from New Authority	\$38,705,911.38	\$3,018,813.83	\$41,724,725.21
4011	Outlays from Balances	\$12,114,466.88	\$47,721,105.70	\$59,835,572.58
4020	Total Outlays, Gross	\$50,820,378.26	\$50,739,919.53	\$101,560,297.79
4030	Offsetting Collections-Federal	- \$6,916,133.11	- \$21,976,688.50	- \$28,892,821.61
4040	Offsets Against BA & Outlays	- \$6,916,133.11	- \$21,976,688.50	- \$28,892,821.61
4050	Change Uncollected Payments-Federal CY	- \$1,111,499.55	\$450,968.31	- \$660,531.24
4051	Change Uncollected Payments-Federal PY	\$774,750.41	\$0.00	\$774,750.41
4060	Additional Offsets Against BA	- \$336,749.14	\$450,968.31	\$114,219.17
4070	Budgetary Authority, net	\$44,722,000.00	\$31,453,000.00	\$76,175,000.00
4080	Total Outlays, Net	\$43,904,245.15	\$28,763,231.03	\$72,667,476.18
4180	Budgetary Authority, net	\$44,722,000.00	\$31,453,000.00	\$76,175,000.00
4190	Outlays, Net	\$43,904,245.15	\$28,763,231.03	\$72,667,476.18

HERITAGE ASSETS AND STEWARDSHIP LAND

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.

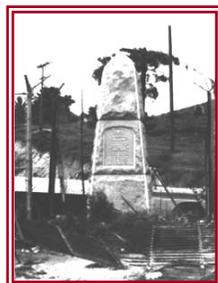
The stewardship policy for inspection and maintenance of these land boundary monuments is concluded in IBWC Minute No. 244 and associated Joint Report dated November 8, 1973. This binational agreement evenly distributes the maintenance responsibilities between the United States and Mexico, and provides 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.

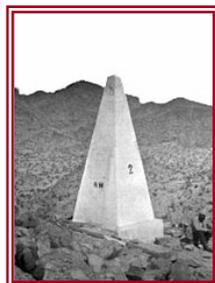
Although the monuments are all obelisk in shape, they vary in composition and appearance. Of the 276 monuments, 238 are composed of iron, 36 of masonry, one of granite, and one of marble. The iron monuments have a narrower base with a steeper-sloped shaft than the granite and masonry monuments. The marble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



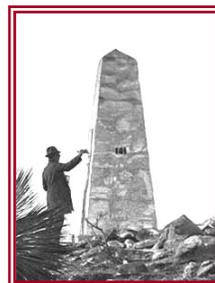
Mon. No. 258
Marble



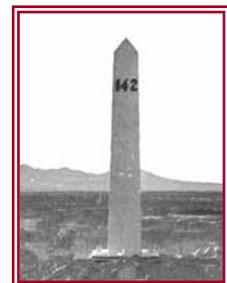
Mon. No. 255
Granite



Mon. No. 2
Masonry



Mon. No. 141
Masonry



Mon. No. 142
Iron

Multi-use Heritage Assets

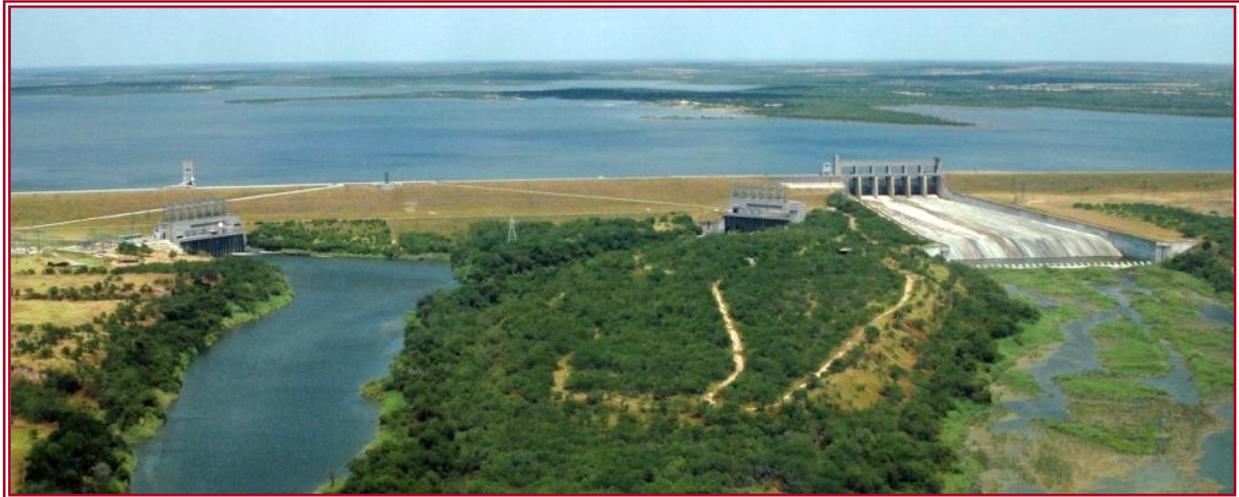
Heritage assets may in some cases be used to serve two purposes – a heritage function and general government operations. In cases where a heritage asset serves two purposes, the heritage asset should be considered a multi-use heritage asset if the predominant use of the asset is in general government 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.



**Upstream view of Falcon International Storage Dam and Hydroelectric Power Plants
(From left to right: Mexican Power House, the U.S. Power House, and Spillway)**



**Aerial view of Falcon International Dam and Reservoir on the Rio Grande
(The dam is located at the downstream end on the far right)**

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 548.62-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.

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.

A summary of the agency's heritage/multi-use heritage assets is provided in the following table. The physical condition of heritage assets is rated using the following scale:

- A = Excellent
- B = Good
- C = Fair
- D = Poor
- F = Very Poor

HERITAGE ASSETS			
Description	Physical Units		Condition of Assets
	FY 2012	FY 2011	
Heritage Assets			
International Western Land Boundary Monuments			
▪ Monuments Maintained by the U.S.	138	138	Varies B to F
▪ Total Maintained by both Countries	276	276	Varies B to F
Multi-use Heritage Assets			
Falcon International Storage Dam & Power Plant			
▪ Dam Spillway and Gates (All Maintained by U.S.)	1	1	C
▪ U.S Side Reservoir Embankment	1	1	C
▪ U.S. Power Plant (Includes Penstock Intakes)	1	1	C

DEFERRED MAINTENANCE

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 involve: 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:

- A = Excellent
- B = Good
- C = Fair
- D = Poor
- F = Very Poor

DEFERRED MAINTENANCE				
Asset Category:	Condition of Assets	Critical Maint. Cost	Non-critical Maint. Cost.	Total Cost
Common Assets:				
Demarcation Markers and Buoys	D to F	430,000	0	430,000
River Flood Control Systems	B to F	4,866,900	5,544,000	10,410,900
Dams & Power Plants	B to C	1,676,300	1,626,300	3,302,600
Wastewater Treatment Facilities	B to C	150,000	714,000	864,000
Buildings and Grounds	B to D	192,800	2,827,370	3,020,170
Subtotal - Common Assets		\$7,316,000	\$10,711,670	\$18,027,670
Heritage Assets:				
Land Boundary (CA, AZ, NM) Monuments	B to F	40,000	62,300	102,300
Falcon Internat'l Storage Dam & Power Plant	C	0	0	0
Subtotal - Heritage Assets		\$40,000	\$62,300	\$102,300
Total Deferred Maintenance	B to F	\$7,397,700	\$10,773,970	\$18,171,670

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