

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



AGENCY FINANCIAL REPORT FISCAL YEAR 2023

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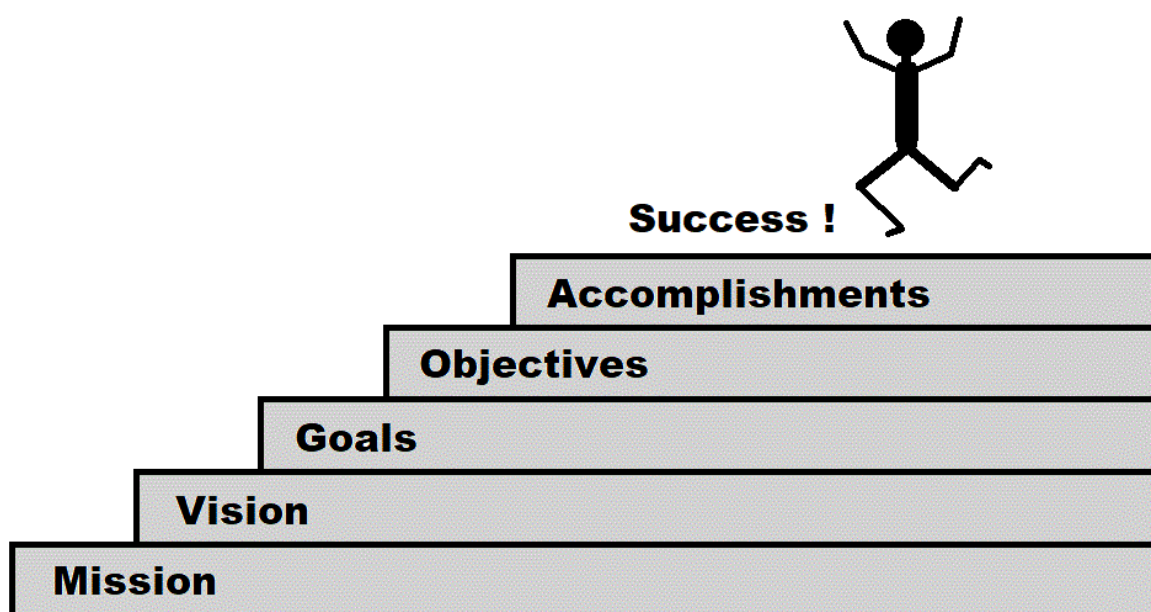
SECTION 1: MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION, ORGANIZATION AND STRUCTURE

MISSION AND VISION

The mission and the vision of the International Boundary and Water Commission, United States and Mexico, United States Section (USIBWC) are as follows:

- **Mission:** *“To provide binational solutions to issues regarding boundary demarcation, national ownership of waters, sanitation, water quality, and flood control in the border region that arise during the application of treaties between the United States and Mexico.”*
- **Vision:** *“To be recognized as the premier agency that identifies solutions along the United States and Mexico border through local, state, federal and binational partnerships.”*



PHILOSOPHY

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

ORGANIZATION

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

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

The U.S. Section consists of the U.S. Commissioner, Executive Offices, and four Departments: Administration, Information Management, Operations, and Engineering. 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 and Information Management Departments perform the necessary support functions for the agency, whereas the Executive Offices provide executive, legal, public, and foreign policy guidance to the Commissioner. The Chief of Staff, Washington, D.C. Liaison, Department Heads, and Executive Office Heads make up the U.S. Commissioner's Executive Staff. The roles of the Executive Offices and Departments are summarized below.

Executive Offices

The Executive Offices are comprised of the following offices: Office of the Commissioner, Legal Affairs, Foreign Affairs, Human Resources, and Washington, D.C. Liaison Offices. In addition to the Commissioner and her executive assistant, the Office of the Commissioner administers the Public Affairs and Equal Employment Opportunity functions of the agency.

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

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

The Foreign Affairs Office is headed by the U.S. Section Secretary, who serves as an expert adviser on Treaty and Minute interpretations, and in cooperation with the Washington, DC

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

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

The Administration Department

The Administration Department is headed by the Chief Administrative Officer. It provides administrative support to all agency functions through its Budget Division, Finance and Accounting Division, and Personal Property Office. The Budget Division is responsible for formulation, coordination, and presentation of the agency's budget requirements to the U.S. Department of State and the Office of Management and Budget. It also distributes authorized funds among various programs and project cost centers for execution in an effective and responsible manner. In addition, the Budget Division provides the necessary oversight to avert Antideficiency Act violations and to ensure that all funds are used in compliance with the agency's governing laws, appropriations acts, and intergovernmental agreements. The Finance and Accounting Division is responsible for providing timely and accurate payments of vendor invoices, payroll, reimbursement of employee accounting, and financial services to the agency and its personnel. It maintains the accounting and depreciation records for the agency's property, plants, and capitalized equipment, to include acquisition and construction of new and on-going capital asset and improvement projects. The Budget Division and Finance and Accounting Division work together to prepare the agency's annual financial report. The Finance and Accounting Division prepares the annual financial statements and coordinates and responds to financial audit issues. The Budget Division compiles, validates, and calculates all other information needed for the financial audit, including deferred maintenance and repairs costs, lead and asbestos liabilities, etcetera, and produces the annual financial report. The Personal Property Office is responsible for the inventory of all accountable assets, coordinating GSA fleet vehicle requirements, and maintaining necessary supplies at headquarters.

Information Management Department

The Information Management Department is headed by the Chief Information Officer. It provides technical and administrative support services to the agency through its Information

Technology (IT) and Records Management Offices. The IT Office manages and protects the agency's IT general support systems, as well as the industrial control systems at the two international wastewater treatment plants. It is also responsible for maintaining, modernizing, and securing information technology infrastructure. The Records Management (RM) Office is entrusted with receiving, maintaining, and preserving or destroying records, as mandated by the records' disposition schedules. In addition, the RM Office runs the agency's resource library and conducts the mail center duties at Headquarters.

The Engineering Department

The Engineering Department is headed by the Principal Engineer of Engineering, who provides technical and policy advice to the U.S. Commissioner. The Engineering Department provides technical support in planning, engineering, environmental management, real property management, acquisition of good and services, construction management, geographical information system, and engineering surveys to meet agency requirements. The Engineering Department conducts and reviews environmental and cultural studies, water quality monitoring, hydraulic studies, geotechnical investigations, and develops design plans and specifications for construction and renovation of buildings, hydraulic and flood control structures, hydroelectric power plant infrastructure, and wastewater treatment plant infrastructure.

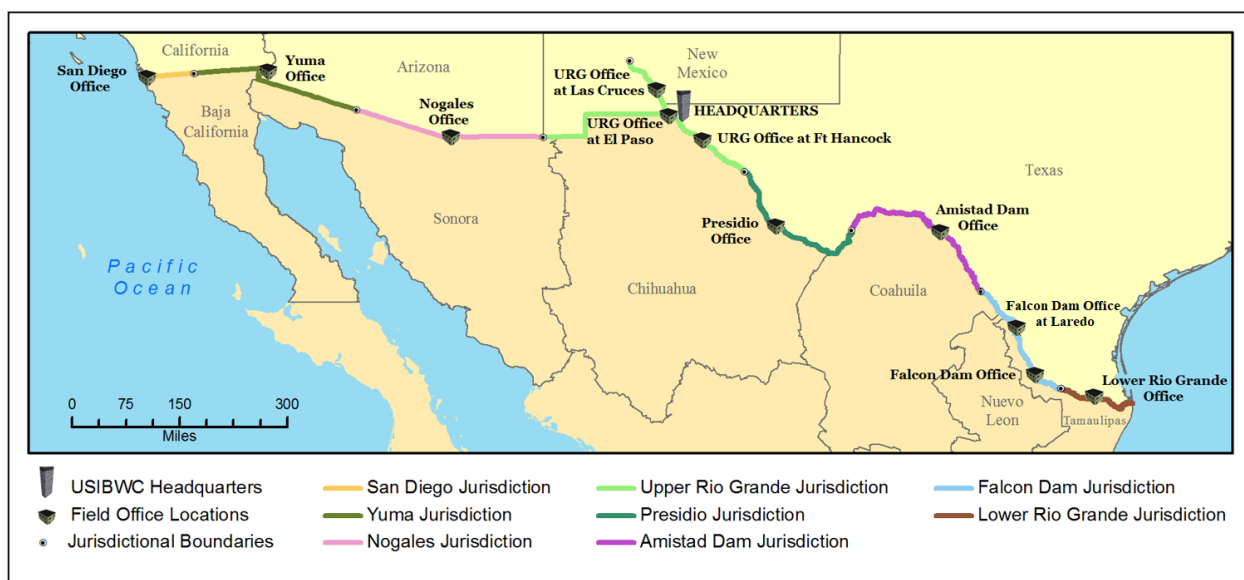
The Operations Department

The Operations Department is headed by the Principal Engineer of Operations. Like the Principal Engineer of Engineering, the Principal Engineer of Operations provides technical and policy advice to the U.S. Commissioner and oversees all U.S. Section operations and maintenance activities to assure adherence with treaty requirements. The Operations Department administers the Safety and Emergency Programs and consists of the following Divisions: Water Accounting, Security Services, and Operations and Maintenance. The Water Accounting Division coordinates and performs the water accounting functions to determine the national ownership of Rio Grande and Colorado River waters jointly with the Mexican Section. The Safety and Security Division administers the occupational safety and health, security, and emergency management functions for the agency. The Operations and Maintenance Division, through its field offices, operates and maintains roughly 100 hydrologic gaging stations, 500 miles of levee, 20,000 acres of floodplain, 700 hydraulic structures, four diversion dams, two international storage dams with hydroelectric power plants, two international wastewater treatment plants, and one-half of all international boundary monuments and markers on the land boundary and at international ports of entry.

OFFICE LOCATIONS AND GENERAL RESPONSIBILITIES

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

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



San Diego Field Office

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

Yuma Field Office

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

Nogales Field Office

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

Upper Rio Grande Field Office

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

Presidio Field Office

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

Amistad Dam Field Office

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

Falcon Dam Field Office

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

Lower Rio Grande Field Office

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

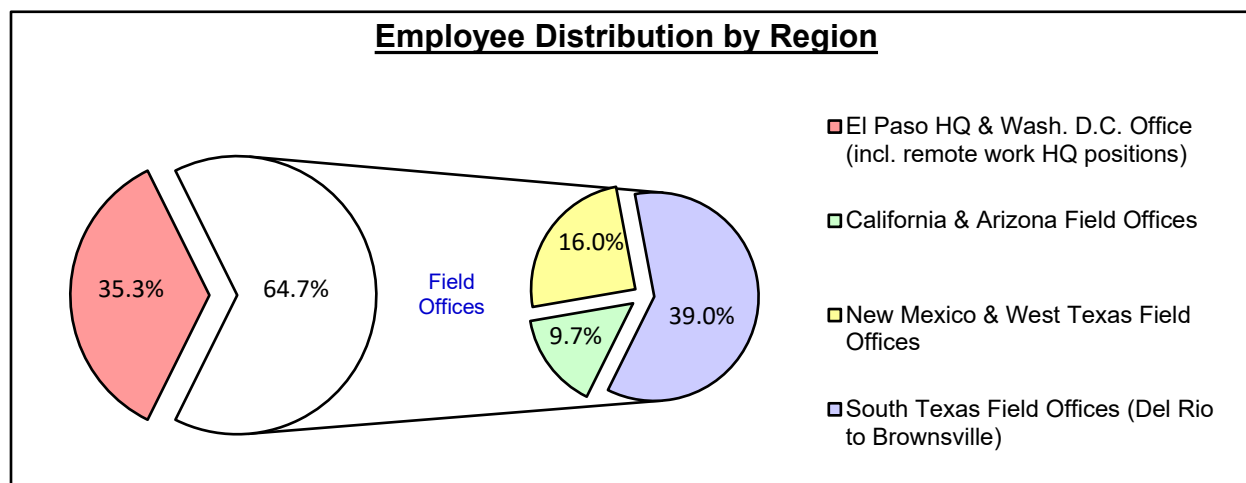
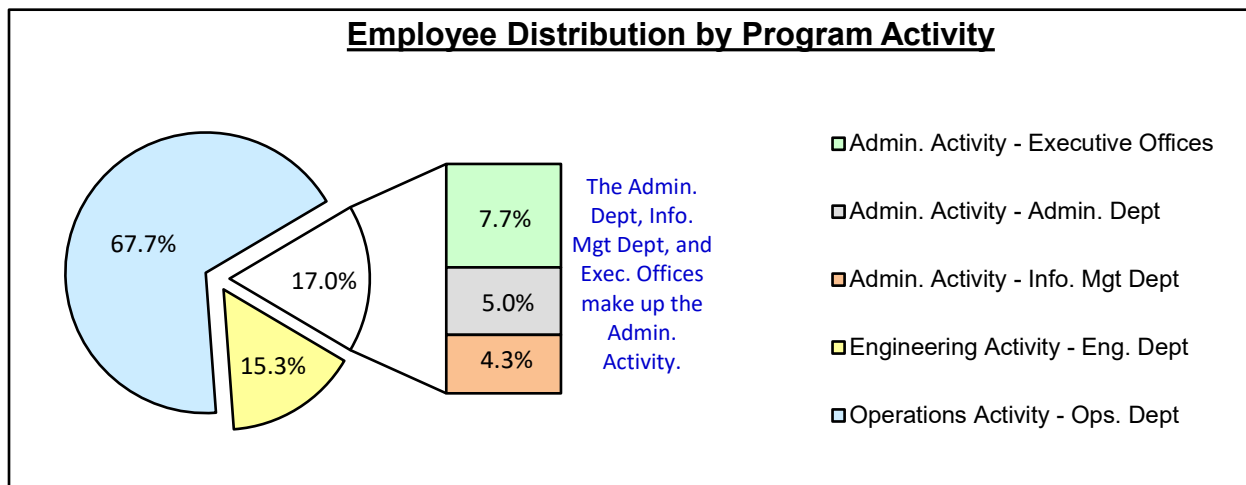
ORGANIZATIONAL STRUCTURE

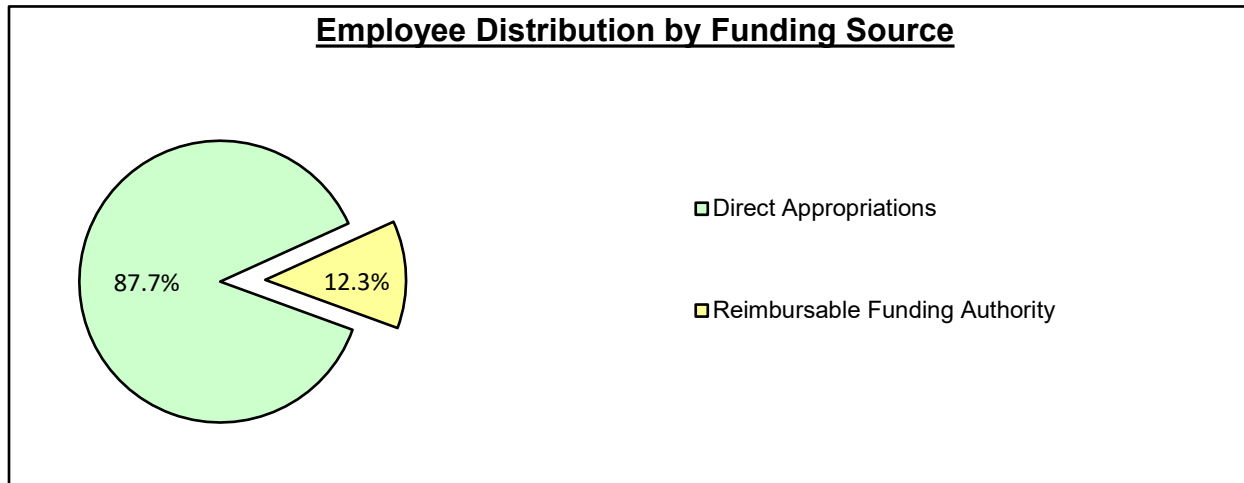


WORKFORCE DISTRIBUTION

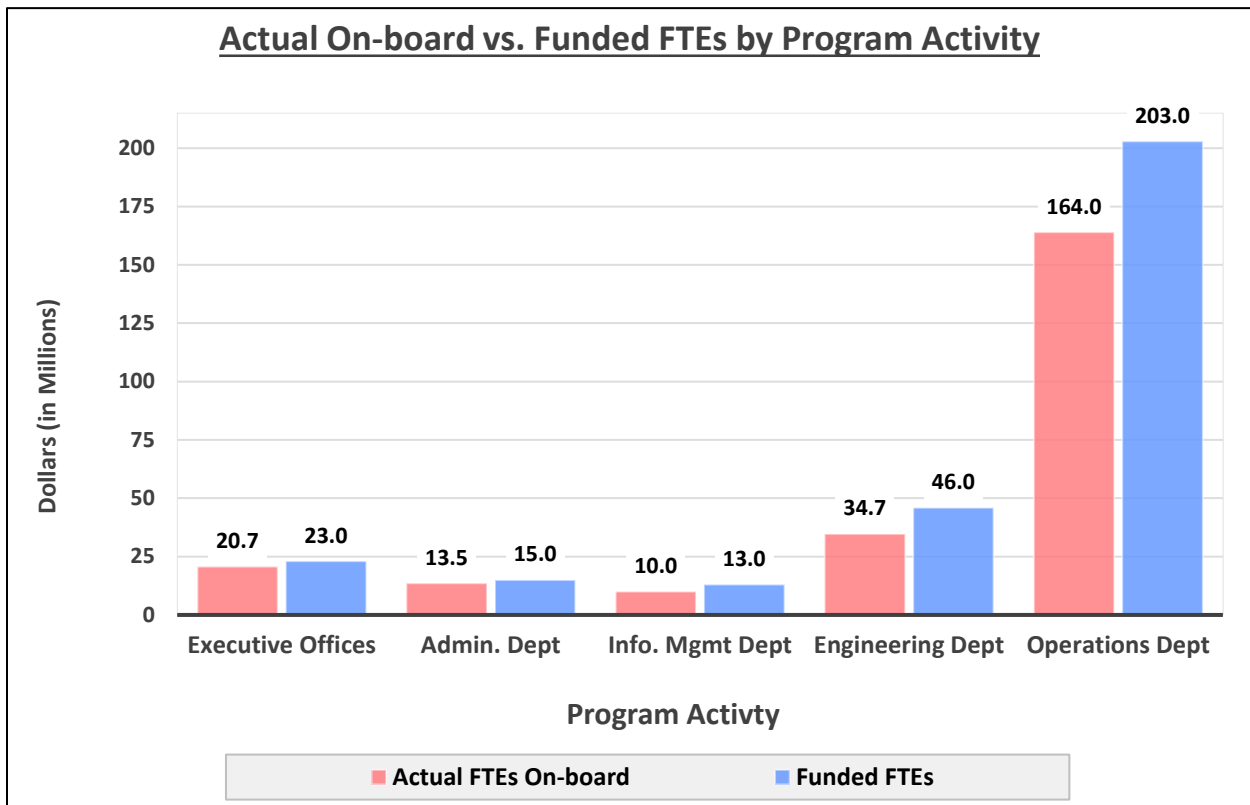
The agency's FY 2023 labor program was structured to sustain a workforce equivalent to 300.5 full-time positions or Full-Time Equivalents (FTEs). Direct appropriations provided for 263 FTEs and reimbursable funds provided for 37.5 FTEs. Full-time equivalent employment is defined as the total number of regular straight-time hours worked (i.e., not including overtime or holiday hours worked) by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave used, sick leave used, compensatory time off used and other approved leave categories used are considered "hours worked" for purposes of defining full-time equivalent employment.

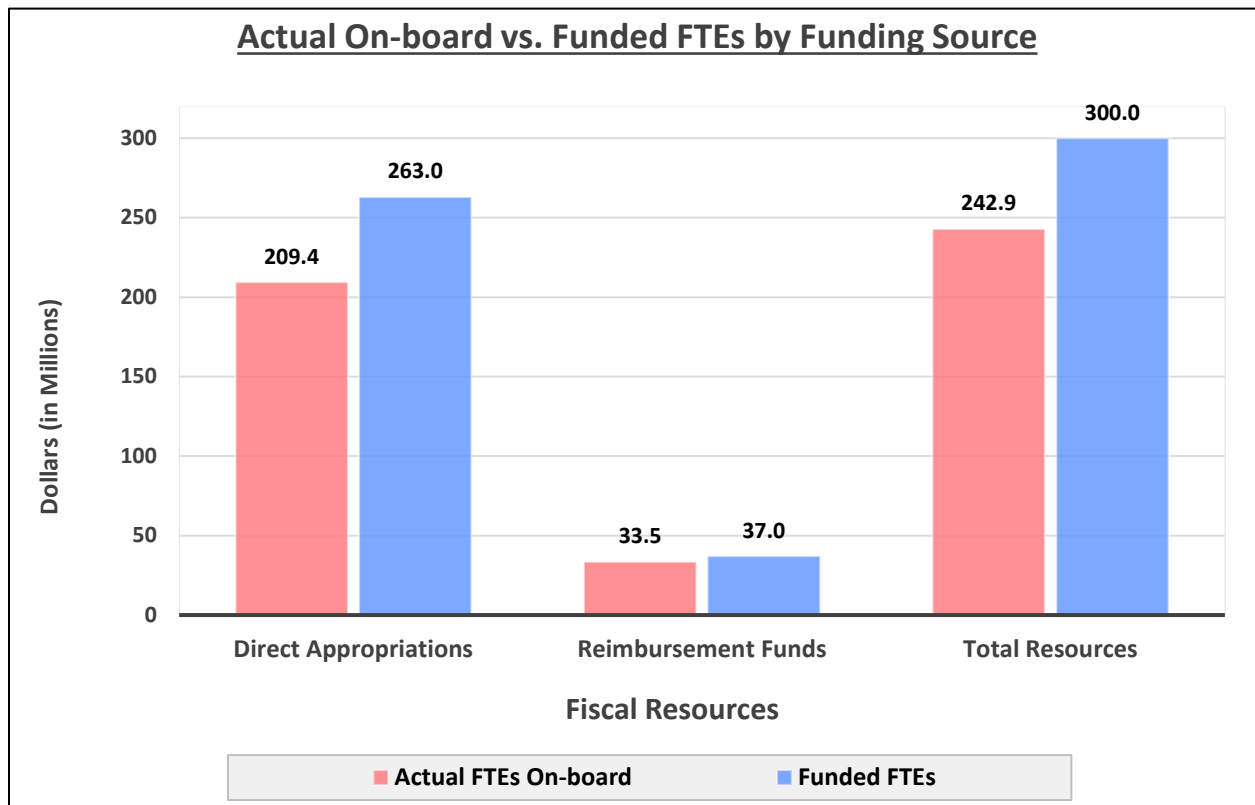
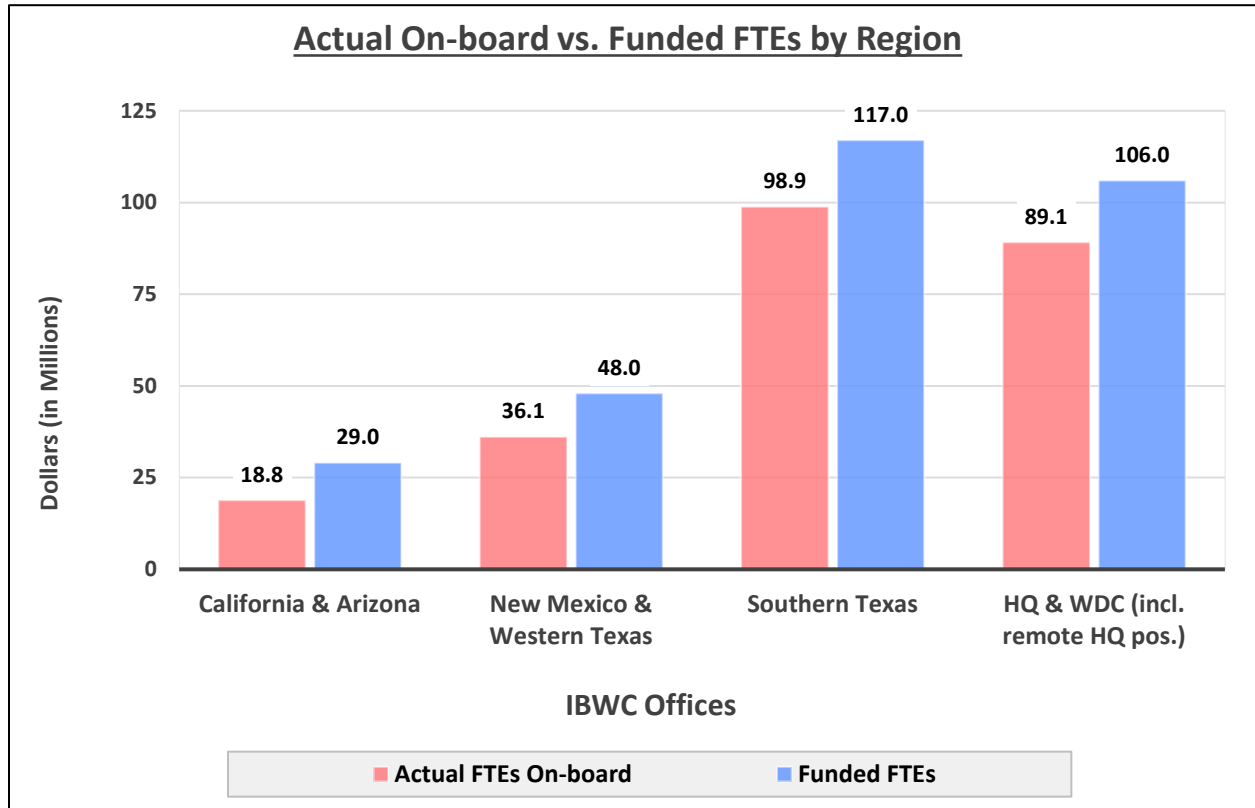
Below is the employee distribution based on funded positions on the organization chart by department, regional location, and funding source. The regional location data reflect the intended duty station of teleworking and remote-working employees.





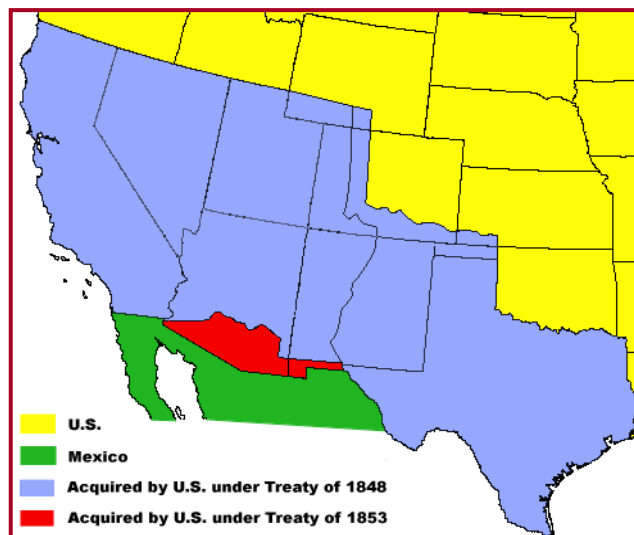
Although the agency is organizationally structured to sustain a workforce of 300 FTEs, the actual manhours worked in FY 2023 resulted in an actual on-board total of 242.9 FTEs. This yielded an average annual vacancy rate 19.0%. Of the 242.9 FTEs on-board in FY 2023, 209.4 FTEs were funded with direct appropriations and 33.5 FTEs were funded with reimbursable funds received from the State of Texas and the Western Area Power Administration. Below are illustrations showing the distributions of funded FTEs verses actual on-board FTEs by program activity, location, and funding source.





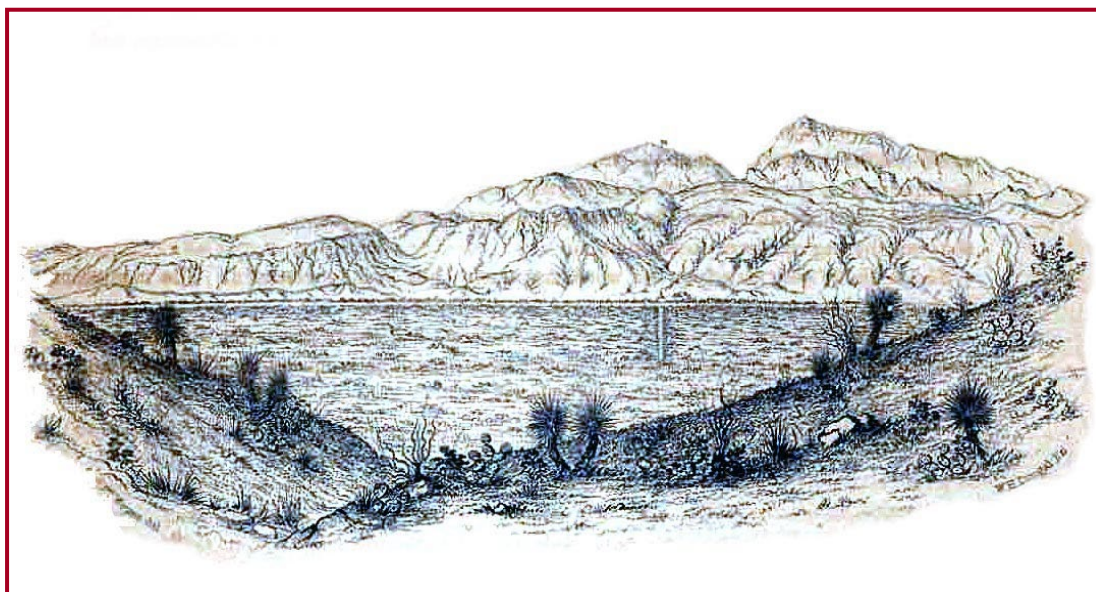
HISTORY

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



Historic U.S. – Mexico Boundaries

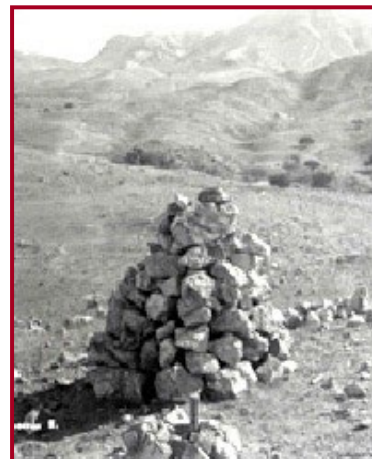
This map illustrates the land that the U.S. acquired from Mexico as a result of the Guadalupe Hidalgo Treaty of 1848 (blue), and the Gadsden Treaty of 1853 (red).



Sketch of Territory acquired by the Treaty of 1853

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

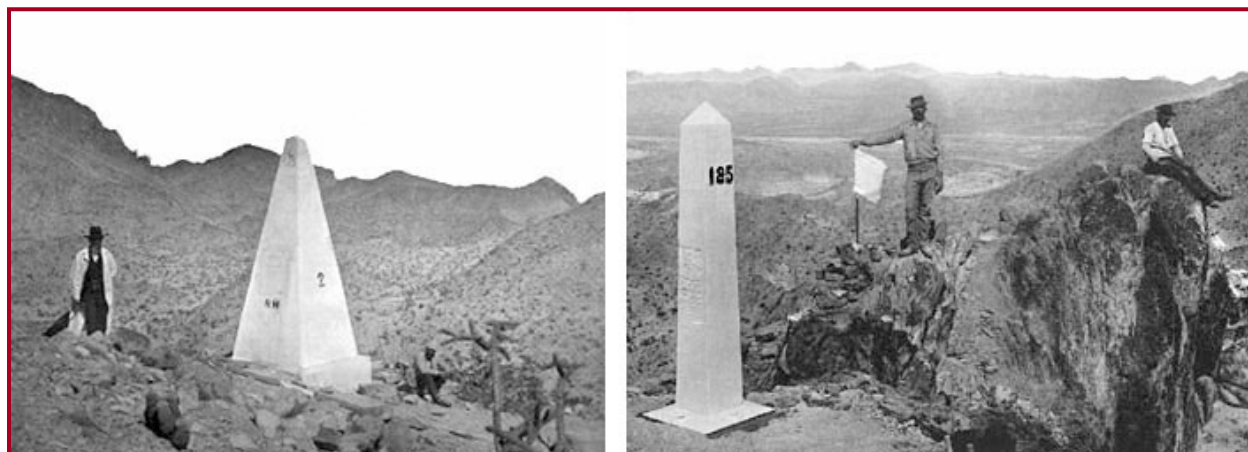
As the settlements grew along the Rio Grande and Colorado River in the late 1800's, settlers began developing adjoining lands for agriculture. In the late Nineteenth Century, questions arose as to the location of the boundary and the jurisdiction of lands when the boundary rivers changed their course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



Old Monument No. 16

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

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



Western Land Boundary Monuments

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

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

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

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

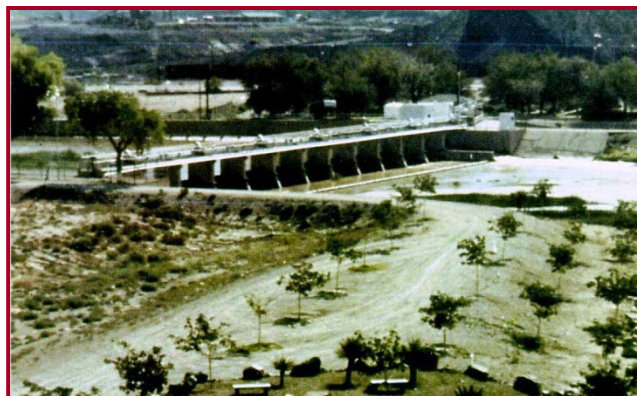
Historically, the Rio Grande was a meandering stream carrying heavy sediment loads through and below the El Paso – Juárez Valley. Channel aggrading occurred due to the flat gradient and low flow velocities, and during flood flows a new channel often formed on lower ground. In the late 1920's, the IBC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



Rio Grande Rectification

Photo showing the rectification of the Rio Grande channel along the El Paso, Texas and Ciudad Juárez, Chihuahua (Mexico) Valley in 1938 for the purpose of stabilizing the international boundary between the United States and Mexico.

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



American Diversion Dam

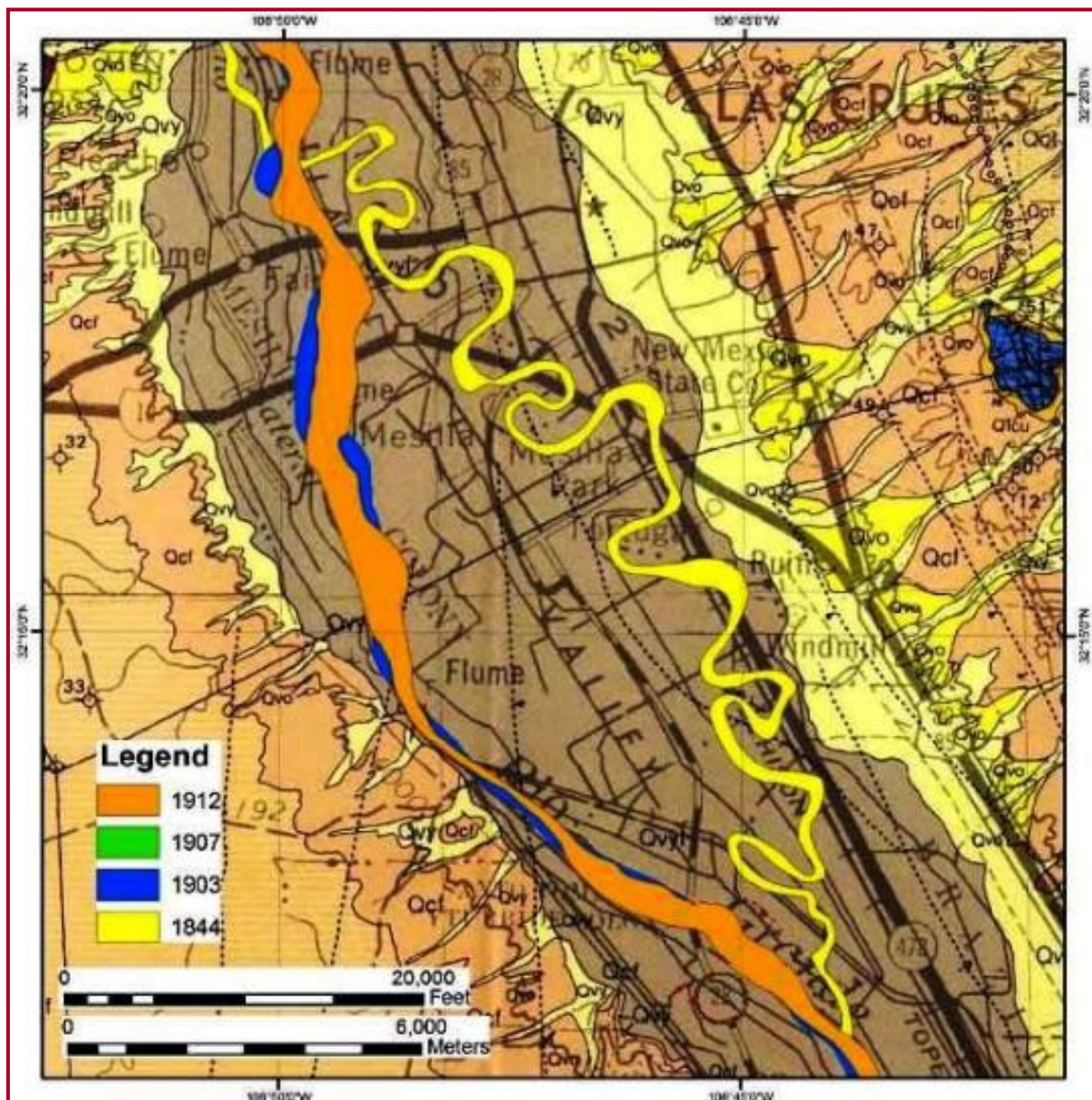
View of American Diversion Dam in El Paso, Texas, which diverts Rio Grande waters allocated to the U.S. under the Convention of 1906.



Resolution of the Chamizal Boundary Dispute

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

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



Historical courses of the Rio Grande in the Mesilla Valley

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

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

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



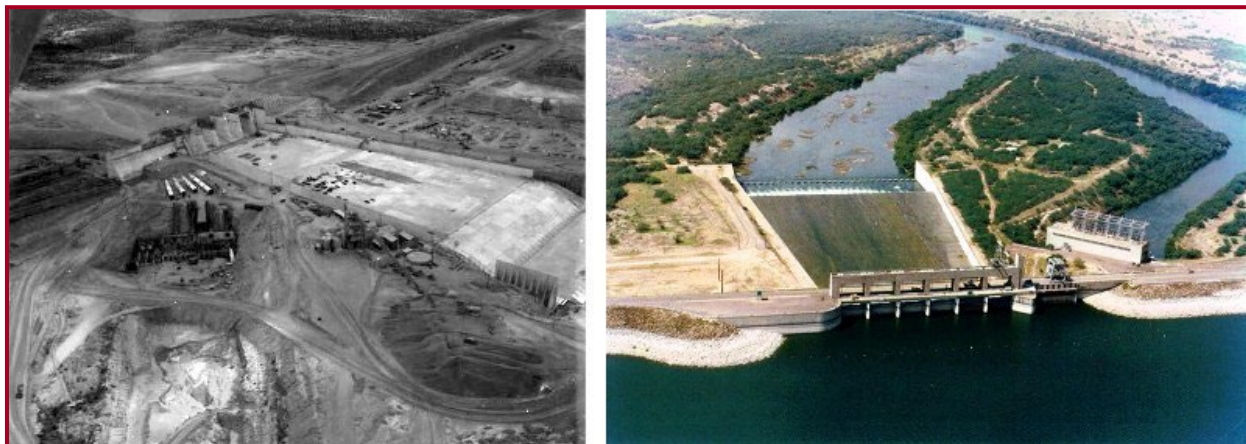
Lower Rio Grande U.S. Main Floodway

Construction of the south levee of the Main Floodway in the Lower Rio Grande Valley of south Texas in 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 forty-one 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. Subsequent upgrades and expansion of the NIWTP were completed in 1990 and in 2009. Additionally, in the 1990's, the IBWC constructed the Nuevo Laredo International Wastewater Treatment Plant (NLIWTP) at Nuevo Laredo, Tamaulipas, Mexico, and the South Bay International Wastewater Treatment Plant (SBIWTP) at San Diego, California. Construction of the NLIWTP, which began in 1992, was substantially completed and placed into operation 1996. The agency started construction of the SBIWTP in 1993 and completed the advanced primary treatment facilities in 1997 and the 3.5-mile ocean outfall in 1999. Secondary treatment upgrades were constructed to the SBIWTP 2009 to 2011. However, due to prolonged periods of peak wastewater inflows from Mexico, the agency constructed additional infrastructure improvements at the SBIWTP from 2015 to 2018 to reduce the risk of wastewater overflows and ensure compliance with the National Pollutant Discharge Elimination System (NPDES) discharge permit requirements.



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 United States and Mexico assume under various boundary and water treaties and agreements, and to settle disputes that arise in the application of these agreements. The Commission is committed to exercising this authority in an environmentally sound manner, which benefits the social and economic welfare of both countries and improves relations. The IBWC is entrusted with the responsibility of diplomatically addressing boundary preservation, accounting for national ownership of transboundary river waters, responding to border sanitation and water quality problems of transboundary flows, and affording flood protection to millions of people living along the international border between the United States and Mexico. The U.S. Section accomplishes its statutory mission by through diplomatic resolution, development, operation, and maintenance of boundary demarcation, water conveyance, and water quality facilities and infrastructure.



1944 Treaty Signing

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



1970 Treaty Signing

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

UNITED STATES AND MEXICO BOUNDARY



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

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

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

Today the boundary is characterized by fifteen pairs of sister cities across four states in the United States and six states in Mexico. The United States and Mexico border region, which is defined as the area of land 100 kilometers (62.5 miles) north and south of the international boundary, sustains an estimated fifteen million people through agriculture, import-export trade, service and tourism, and by a growing manufacturing sector. The metropolitan areas of Laredo, Texas and McAllen-Edinburg-Mission, Texas, which in the border region, remain being two of the fastest growing metropolitan areas in the United States.

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 the Mexican – American War and established the international boundary between the United States and Mexico 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 southern international boundaries of New Mexico and Arizona after the United States 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 boundary demarcation monuments along the Land Boundary from El Paso, Texas to the Pacific Ocean.

Convention of November 12, 1884

The Convention of November 12, 1884 established rules for determining relocations of the international boundary and transfers of territory due to changes in the course of the Rio Grande and Colorado River.

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 March 20, 1905

The Convention of March 20, 1905 modified the Convention of 1884 pertaining to changes in the river boundary along the Rio Grande. This Convention eliminated the “bancos” in the Rio Grande from the effects of Article II of the 1884 Convention.

Convention of May 21, 1906

The Convention of May 21, 1906 provided for the international distribution of the waters of the Rio Grande above Fort Quitman, Texas. This Convention allotted up to 60,000 acre-feet of Rio Grande waters annually to Mexico at Ciudad Juárez, Chihuahua.

Convention of February 1, 1933

In the Convention of February 1, 1933, the two Governments agreed to jointly construct and maintain works to straighten and stabilize the Rio Grande, which serves as the international boundary from El Paso, Texas 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 United States and Mexico. This "Water Treaty" changed the name of the IBC to the "International Boundary and Water Commission (IBWC)," and authorized the Commission to give preferential attention to the solution of all border sanitation problems in matters pertaining to the joint use of international waters. In addition, the Treaty provided for the joint construction, operation, and maintenance of dams and hydroelectric power plants on the Rio Grande, and provisions for flood control works to protect adjacent lands from flood waters of the Rio Grande, Colorado River, and Tijuana River. Like the 1889 Convention, the 1944 Treaty permitted the Commission to execute additional international agreements pursuant thereto, called "Minutes."

Convention of August 29, 1963

The Convention of August 29, 1963, referred to as the "Chamizal Convention," resolved a century-old boundary dispute between Mexico and the United States involving the gradual movement of the Rio Grande at El Paso, Texas during the latter part of the Nineteenth Century. By this Convention, the two Governments agreed to the relocation and stabilization of 4.35 miles of the Rio Grande channel.

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 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 included 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.

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 U.S. Section operates and maintains the part of the project assigned to the U.S. Government.

PERFORMANCE GOALS, OBJECTIVES AND RESULTS

STRATEGIC GOAL 1 – WATER QUALITY IMPROVEMENT

Improve the quality of boundary and transboundary waters, in concert with Mexico, to address salinity and border sanitation.

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

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

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

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

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



South Bay International Wastewater Treatment Plant

This plant in San Diego County, California, is designed to treat an average of 25 million gallons per day of wastewater from Tijuana, Mexico.



Nogales International Wastewater Treatment Plant

This plant, in Rio Rico, Arizona, is designed to treat 14.7 million gallons of sewage per day from the U.S. communities of Nogales and Rio Rico, Arizona and Nogales, Sonora, Mexico.

The 1944 Treaty is the primary authority that grants the IBWC the right to address and resolve water quality issues at boundary and transboundary rivers and streams. IBWC Minutes No. 241 and 242 provided for measures to improve the quality of Colorado River water made available to Mexico at the Northerly International Boundary. Furthermore, the U.S. agreed in IBWC Minute No. 242 to deliver flows to Mexico upstream of Morelos Dam having an annual average salinity of no more than 115+/-30 parts per million U.S. count over the flow-weighted annual average salinity of Colorado River waters that arrive at Imperial Dam.

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. 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.

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

Accomplishments

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

The agency operated and maintained the SBIWTP and NIWTP on a daily basis to treat wastewater from Mexico and prevent unsanitary conditions along the border. The U.S. Section treated 10,200.43 million gallons of sewage, equating to an average of 27.95 million gallons per day (MGD), from the city of Tijuana, Baja California at the SBIWTP. This is 1075.43 million gallons or 2.95 MGD above Mexico's allotted capacity of 25.0 MGD at the SBIWTP. The agency also treated a total of 5,458.35^[1] million gallons of wastewater at the NIWTP, which included 4,486.98 million gallons from the city of Nogales, Sonora, Mexico and 971.36 million gallons of sewage from the cities of Rio Rico, Arizona and Nogales, Arizona. This equated to a total daily average treatment of 14.95 MGD at the NIWTP, of which 12.29 MGD was from Mexico and 2.66 MGD was

^[1] Wastewater volumes treated at the NIWTP may also include stormwater flows that may occasionally be introduced into the wastewater conveyance system through one or more open manholes in Nogales, Arizona.

from the United States. Sewage flows from Mexico were 2.39 MGD above Mexico's allotted capacity of 9.90 MGD and accounted for 82.2% of the total wastewater treated at the NIWTP in FY 2023. In addition, the agency performed the required maintenance and repairs to the motor control center, blower system, headworks grit pump, and effluent pumps, which had previously been deferred at the NIWTP. The agency also performed upgrades to improve the industrial controls system at the NIWTP.

The agency also initiated and performed additional maintenance, repairs, rehabilitation, and replacement of plant components and equipment at the SBIWTP, which were due to two significant events. One being a major wastewater system failure in Tijuana, Baja California, Mexico resulting in the diversion of additional wastewater carrying sediment, trash, and debris to the SBIWTP for treatment from March through September 2023, and the other being the destructive impact of Hurricane Hillary in August 2023. These events resulted in significant damage and adversely impacted capacities and processing performance of the SBIWTP. Furthermore, the agency is performing a comprehensive assessment of this plant and related infrastructure and is developing a phased plan for rehabilitation and expansion of the SBIWTP to a 50 MGD capacity.

The U.S. Section continued working with Mexico, the State of Arizona, and other stakeholders to rehabilitate the Nogales Main Collector Line (Trunkline) and International Outfall Interceptor (IOI), which is the transboundary 8.8-mile pipeline system that conveys raw sewage from the Mexican City of Nogales, Sonora, and the U.S. Cities of Nogales and Rio Rico, Arizona to the Nogales International Wastewater Treatment Plant (NIWTP) for treatment to U.S. secondary standards. The rehabilitation effort will only focus on the U.S. portion of the pipeline. All engineering, design, and easement acquisition work has been completed and rehabilitation of the 8.8-mile pipeline is underway. Initial construction began in September 2021 and is expected to be concluded by February 2025.

The U.S. Section continues to work with and support the Mexican Section to ensure proper maintenance and repairs are performed at the Nuevo Laredo International Wastewater Treatment Plant (NLIWTP), which discharges effluent into the international reach of the Rio Grande. The Commission implemented a two-year plan to restore proper treatment operations at the NLIWTP by implementing maintenance and repairs that were previously deferred on the oxidation ditches. Maintenance and repairs are needed to return the oxygen concentration of the aeration basin back to normal operating levels, which will permit the NLIWTP to meet water quality treatment objectives.

The U.S. Section continued to develop plans to renovate, improve, replace and make security improvements to key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities. The agency also initiated programs to assess condition of its wastewater treatment assets and develop an asset management program and a twenty-year capital improvements plan.

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 River, Tijuana River and New River and related tributaries. The agency will continue to operate and maintain the SBIWTP and NIWTP and will work with the Mexican Section to address and assist in any water quality issues that arise

concerning the NLIWTP. The agency will continue to renovate, secure, improve, and or replace key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities. Lastly, the agency will continue the rehabilitation of the Nogales Trunkline and IOI wastewater pipeline and initiate the design for the phased rehabilitation and expansion of the SBIWTP.

STRATEGIC GOAL 2 – WATER MANAGEMENT (WATER CONVEYANCE)

Provide flood protection, dam safety, and accurate accounting of boundary river waters.

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.



American Diversion Dam

American Diversion Dam and Canal divert and convey Rio Grande waters allocated to the U.S. under the Convention of 1906.



Rio Grande Gaging Station

Gaging station downstream of American Dam monitors Rio Grande waters delivered to Mexico under the Convention of 1906.

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

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



Lower Rio Grande Levee

U.S. flood control levee improvements upstream of Brownsville, Texas in March 2008.



Lower Rio Grande Levee Improvements

Amistad International Dam and Hydroelectric Power Plants.

Accomplishments

The agency regularly operated and maintained its hydrologic gaging stations, cableways, and gaging station access roads to support the binational flood operations and accounting of river waters of the Rio Grande, Tijuana and Colorado Rivers pursuant to the Convention of 1906 and the 1944 Water Treaty. Maintenance of gaging infrastructure consists of repair and or replacement of equipment components and sensors, as well as firmware and software updates to the database management and operational water accounting systems. The U.S. Section installed and configured the new acoustic doppler current profilers (ADCP) and telemetry equipment at Colorado River gaging stations.

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

Flood Control System	Rio Grande Levee Improvement Segments	Percent Complete^[2]	Distance (Miles)
Upper Rio Grande	Sunland Park, NM West Levee Improvements (191BWC22C0010)	99%	2.8
Upper Rio Grande	Sunland Park, NM East & West Levees (Phase II) Improvements (191BWC22R0002)	5%	9.0
Lower Rio Grande	Edinburg Levee Rehabilitation Design-Build (191BWC22C0001)	85%	0.15
Subtotal - Initiated and On-going Construction:		0%	11.95

The agency maintained the capacities of its Rio Grande Flood Control Systems by mowing vegetation on the floodplain and levee slopes, and removing accumulated sediment from the channel, arroyo confluences, and structures to sustain proper drainage and conveyance conditions. Furthermore, the U.S. Section maintained its Rio Grande Flood Control Systems by re-grading levees and resurfacing the levee road (crown of the levee) with flexible base course granular material. The agency also inspected drainage and irrigation structures crossings its levees, which it is responsible to maintain, and performed necessary maintenance if needed.^[3]

Vegetation clearing targets were not met this year, because the agency has limited resources and there was added focus on sediment removal this year to improve channel conditions. The table below summarizes the annual plan and accomplishments.

Floodplain and Levee Mowing for Vegetation Management			
Flood Control System	Annual Target (Acres)	Actual Totals (Acres)	Percent Accomplished
Upper Rio Grande – Canalization ^[4]	7,000	5,374	32.8%
Upper Rio Grande – Rectification ^[5]	3,000	2,333	168.4%
Presidio Valley	1,200	1,187	76.7%
Lower Rio Grande – River Floodway	350	0	137.5%
Lower Rio Grande – Interior Floodways ^[6]	12,000	11,550	0.0%
Totals:	23,550	20,444	86.8%

^[2] Refers to substantially complete, which is when an asset can be placed into use.

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

^[4] The “Canalization” segment is the 106-mile section of the Upper Rio Grande Flood Control System located in southern New Mexico and western Texas that falls upstream of the international boundary.

^[5] The “Rectification” segment is the 91-mile stretch of the Upper Rio Grande Flood Control System that extends along the international river boundary in western Texas.

^[6] The Interior Floodways consist of the Main Floodway, North Floodway, and Arroyo Colorado.

Removal of Sediment from Conveyance Channels			
Flood Control System	Annual Target (Cubic Yards)	Actual Totals (Cubic Yards)	Percent Accomplished
Upper Rio Grande – Canalization	82,000	112,000	136.6%
Upper Rio Grande – Rectification	118,000	162,000	137.3%
Presidio Valley	20,000	20,572	76.7%
Lower Rio Grande – Interior Floodways	15,000	18,880	102.9%
Totals:	235,000	313,452	133.4%

Levee Grading and Resurfacing		
Flood Control System	Levee Grading (Miles)	Levee Resurfacing (Miles)
Upper Rio Grande – Canalization	0.0	0.0
Upper Rio Grande – Rectification	0.0	0.0
Presidio Valley ^[7]	15.0	7.0
Lower Rio Grande – River	10.5	10.0
Lower Rio Grande – Interior Floodways	26.4	0.0
Totals:	51.9	17.0

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

The U.S. Section continued to operate and perform scheduled maintenance on all its diversion and storage dams on the Rio Grande. A binational team of dam safety experts, including the U.S. Army Corps of Engineers, conducted the five-year safety inspections to identify and work to remediate deficiencies at all six dams: American, International, Amistad, Falcon, Anzalduas, and Retamal. Both the U.S. and Mexican Sections continued to work toward solution to remediate the existing sinkholes problem occurring on the embankment and foundation of the Amistad International Storage Dam. The agency also continued its operation and maintenance of the Falcon and Hydroelectric Amistad Power Plants, to include the upgrade of the main control boards and transducers at Falcon and the rehabilitation of the gantry crane at Amistad.

The U.S. Section continued its design and construction efforts to replace the deteriorated American Canal, which was initially constructed in 1938 to convey Rio Grande waters to U.S. stakeholders in El Paso, Texas and is at the end of its life cycle. The canal is subdivided into the three segments – upper, middle and lower segments.^[8] Replacement of the canal can only be

^[7] The in addition to levee grading, the agency graded 94 acres of floodplain in Presidio.

^[8] Each segment of the American Canal is approximately 0.5-mile in length.

performed during the non-irrigation season, which typically extends from mid-October to mid-February. Construction has begun on both the upper and lower canal segments. Construction of upper segment was substantially completed in January 2020. However, the lower segment was approximately 20% complete when the construction was halted to revise the design to facilitate maintenance activities. The revised design of the lower canal segment has been completed, and a contract for construction of the lower segment was awarded in August 2023. Construction of the lower segment is anticipated to be concluded in June 2027. The design and construction of the middle segment is pending.

The agency also continued the engineering and design work for a project to rehabilitate approximately four miles of deficient levees and related flood control structures of the Tijuana River Flood Control System in the United States. The Tijuana River crosses the international boundary into the United States in San Diego County, California and flows westerly for 5.3 miles where it discharges into the Pacific Ocean. The north levee system protects the community of San Ysidro, California and the south levee protects the South Bay International Wastewater Treatment Plant from river floods. Prefinal design documents were completed and submitted for final review. The final design is expected in December 2023.

The agency continued to develop plans to renovate, improve, replace and make security improvements to key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities. At the Falcon Dam Field Office, the agency installed a vessel exclusion barrier upstream of the spillway and upgraded the security system of the field office.

Plan

The U.S. Section will continue to operate and maintain its hydrologic gaging stations, cableways, and access roads, as well as working with Mexico to determine the allocation and accounting of binational waters of the Rio Grande, Tijuana and Colorado Rivers. The Agency will also replace and upgrade old or outdated hydrologic equipment.

The U.S. Section will continue to maintain its flood control levees, floodplains, and channels to ensure proper conveyance of river waters within the established flood control parameters. Levee maintenance will consist of grading, spot repairs, and resurfacing. The U.S. Section will maintain its floodplains and channels through mowing and sediment removal activities. The agency will acquire the necessary permits and environmental documentation prior to commencing any of the sediment removal activities, and work to develop and conclude access and sediment disposal agreements with adjacent landowners.

The Commission will continue to operate and maintain its dams for the purpose of diversion, conservation, flood control, and generation of hydroelectric power. The agency will also continue to implement corrective measures and/or construct improvements at its dams to reduce the risk of operational failures and comply with the requirements of the Federal Safety of Dams Program.

The agency will continue to improve deficient levee segments and structures in the Upper Rio Grande, Lower Rio Grande, and Tijuana River Flood Control Systems to ensure the conveyance of the design flood and compliance with FEMA certification criteria. Deficient levee segments will be improved in order of priority by risk, population, and development. The U.S.

Section will continue its close coordination with its stakeholders to address conveyance, storage and diversion issues concerning the waters of the Rio Grande, Colorado River, and Tijuana River.

The U.S. Section will continue its engineering and construction efforts to replace the old American Canal, which conveys U.S. waters allocated of the Rio Grande to the for municipal, agricultural, and industrial uses. The agency will also continue to renovate, secure, improve and or replace key infrastructure and facilities that support water quality operations to meet agency needs, ensure compliance with environmental, occupational safety and health requirements, and mitigate threat risks and vulnerabilities.

STRATEGIC GOALS 3 AND 5 – RESOURCE AND ASSET MANAGEMENT, AND LEADERSHIP AND PERFORMANCE EXCELLENCE

*Maximize organizational effectiveness through innovative technology, effective management, accountability for agency resources, and compliance with regulations.
Ensure successful mission delivery and performance excellence through strong leadership, a high-performing workforce and optimized business operations*

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 referenced include:

- **The Federal Information Security Modernization Act of 2014** amends the Federal Information Security Management Act of 2002 (FISMA) to reestablish the oversight authority of the Director of the Office of Management and Budget (OMB) with respect to agency information security policies and practices, and set forth authority for the Secretary of Homeland Security (DHS) to administer the implementation of such policies and practices for information systems.
- **The Government Performance and Results Modernization Act of 2010** amends the Government Performance and Results Act of 1993, which established the foundation for federal agencies to create a performance planning and accountability process in which agencies performed strategic to clarify their mission, set goals, measure performance, and submit annual progress reports. The 2010 Act aims at improving the use of performance information in decision-making by creating a more effective performance framework connecting plans, programs, and performance information.
- **The E-Government Act of 2002** requires agencies to improve customer service and save tax dollars by implementing initiatives that will improve the methods by which Government information, including information on the Internet, is organized, preserved, and made accessible to the public.
- **The 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.
- **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 Paperwork Reduction Act of 1995** requires agencies to perform their information resources management activities in an efficient, effective, and economical manner.
- **The Federal Acquisition Streamlining Act of 1994, Title V** streamlines and simplifies federal procurement procedures for acquiring goods and services.
- **Chief Financial Officers Act of 1990** establishes a leadership structure, provides for long-range planning, requires audited financial statements, and strengthens accountability reporting.
- **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.

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

Accomplishments

The U.S. Section continued developing policy and implementing the necessary controls to meet new and updated Federal Information Security Management Act (FISMA) mandates. The agency continued the implementation of IT infrastructure upgrades mandated by the U.S. General Services Administration (GSA) as part of their Enterprise Infrastructure Solutions (EIS) initiative.

The U.S. Section continued contracting with the U.S. Department of Homeland Security (DHS) to provide continuous monitoring cybersecurity monitoring of the general support system environments and in identifying, detecting, and mitigating cybersecurity threats in real time. The agency also continued to work with its own continuous detection and monitoring services contractor to advance the development of updated IT policies and cybersecurity controls. As in previous years, the agency successfully completed its annual requirements for cybersecurity training and deployed random email phishing exercises to improve employees' awareness to prevent cyberattacks.

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

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

The agency conducted its annual personal property inventory. Most capitalized assets were properly identified and accounted for on the inventory. Those that were not properly accounted for in the inventory will be corrected in FY 2024. The agency is also working on updating the personal property directive to include new internal controls, which will ensure that assets are disposed of in a proper and timely manner. These controls will also ensure that data entered into the Department of State's property management system is accurate, and that movement of assets are initiated and updated efficiently.

Plan

The U.S. Section will continue the strict application of FISMA System security standards to all of our IT Systems. The U.S. Section will be modernizing its IT infrastructure and increasing its communications bandwidth capabilities as part of the mandated GSA EIS initiative, which is required of all federal agencies. This EIS initiative should resolve the long-standing connectivity and communication issues primarily affecting field offices. The agency will also continue with improvements and upgrades to its general support system by replacing hardware that is at or nearing the end of its lifecycle. Furthermore, the agency plans to continue modernization of existing processes for collecting, analyzing, and processing data at our field offices and implementation of more efficient tools for collaborating with our co-workers and stakeholders. The agency will also continue to maintain and implement planned upgrades to the SCADA systems at the Nogales and South Bay International Wastewater Treatment Plants.

The U.S. Section will continue to utilize federally compliant cloud services, eDMS, ILMS, and GFMS to track and manage all its records, property, and resources in an efficient and effective manner in furtherance of mission objectives. The agency will continue to develop mobile GIS-based portals to facilitate monitoring and tracking of mission operations. In addition, the agency will be exploring options to utilize Office 365 services such as SharePoint, for collaborating binational data between the U.S. and Mexican Sections. The agency is also striving to electronically map all parcels owned or leased by the U.S. Section and provide "point and click" documentation within our GIS.

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

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

STRATEGIC GOAL 4 – MANAGE THE UNITED STATES AND MEXICO BOUNDARY

Manage the United States and Mexico international boundary through surveying, mapping and demarcation restoration.

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.



Boundary Monument

IBWC crew reconditioning International Land Boundary Monument No. 117.



Boundary Demarcation

The IBWC maintains boundary demarcation plaques and markers at the international boundary at all U.S. – Mexico ports of entry.

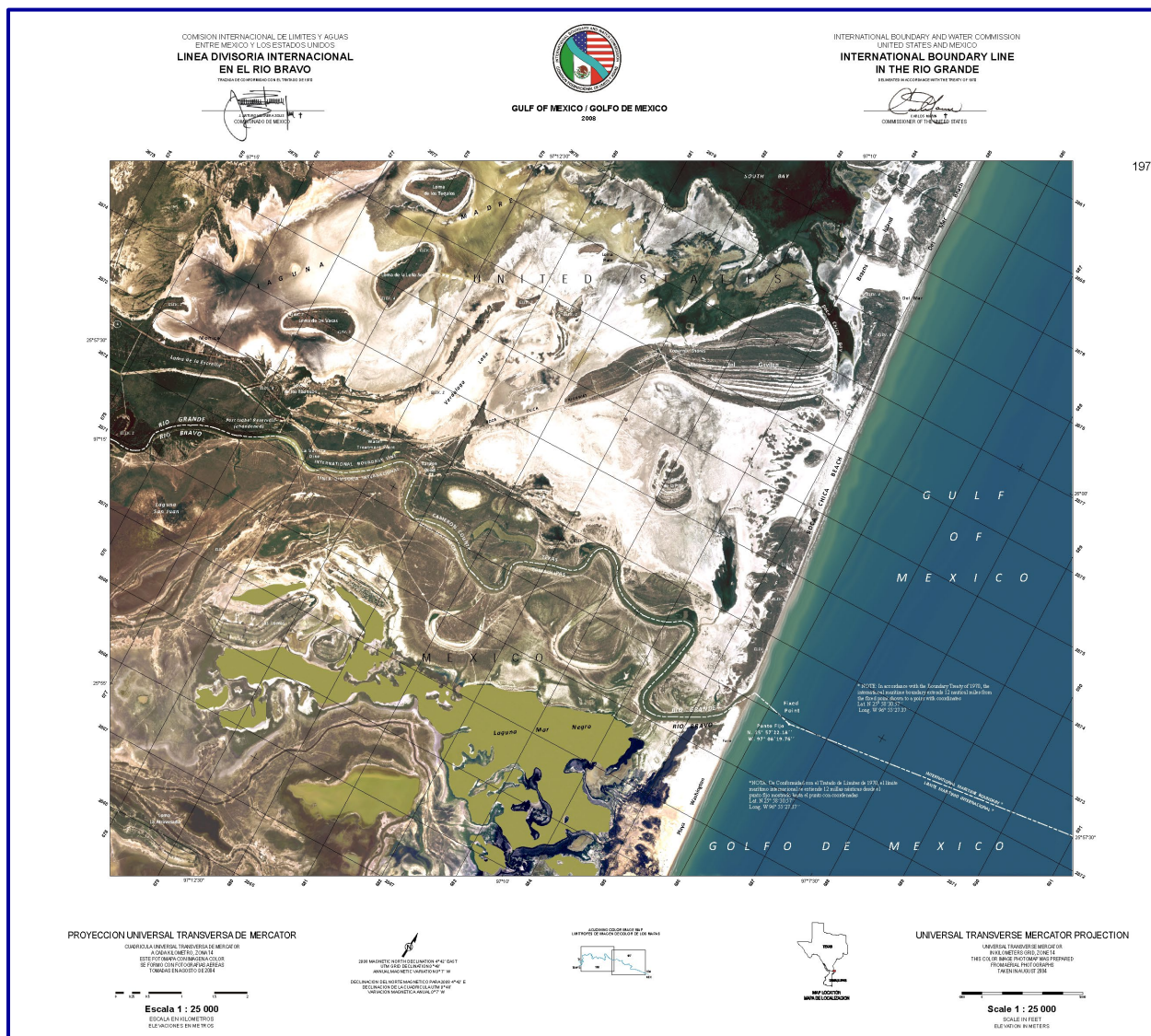


Amistad Buoy No. 1

IBWC buoys identify the borderline at Amistad International Reservoir.

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

The 1970 Treaty mandated the delineation of the international boundary on maps or aerial mosaic photos for the Rio Grande and Colorado River Boundary. It also established the frequency to update these maps at intervals not greater than 10 years.



Rio Grande Boundary Map No. 197

Photomap delineating the international boundary on the Rio Grande approved by the Commissioners of the United States and Mexico in 2008.

Accomplishments

The U.S. Section continued working with the Mexican Section to complete and approve an updated set of aerial photographic mosaic maps delineating the international boundary formed by the Rio Grande. The aerial imagery of the Rio Grande Boundary was collected in 2014, but the delineation of the international boundary on the Rio Grande maps is still pending conclusion and approval by both Sections. Maps delineating the International Land Boundary, which is demarcated by 276 international monuments, were completed in FY 2020. Any disagreements or shifts in the location of the boundary line will be addressed in accordance with the provisions set forth in 1970 Treaty.

The agency did not perform restoration or repairs on any of the 138 international land boundary monuments along the Arizona border, which are the responsibility of the U.S. Section. However, International Land Boundary Monument No. 128, which was on the bottom edge of a hill, was temporally removed. The foundation of this monument became unstable, and the monument started shifting away from its established point on the international boundary. This instability and movement were likely due to site grading earthwork required for the erection of the Border Wall by U.S. Corps of Engineers (USACE). Another monument, No. 233, situated along the California border was vandalized and removed from its foundation. Thus, the U.S. Section is currently working with the USACE and Mexican Section for the reinstallation of Land Boundary Monuments No. 128 and 233.

Demarcation of the boundary on international bridges is the responsibility of the bridge owners. Nevertheless, the agency inspected the demarcation markers at the following ten international bridges and border crossings in Texas for compliance with established agreements: Del Rio, Gateway to the Americas (Laredo), Juarez-Lincoln, World Trade, Laredo-Colombia Solidarity, Pharr, Free Trade (Los Indios), Gateway (Brownsville I), B&M (Brownsville II), and Veterans (Brownsville III) Bridges.

Plan

In FY 2024, the U.S. and Mexican Sections will continue to address changes in the Rio Grande and Colorado River boundaries in accordance with the 1970 Treaty. The Commission plans to jointly finalize a new set of aerial maps delineating the international boundary of the Rio Grande. The agency will also continue to inspect and refurbish accessible international land boundary on the Arizona border that need restoration. The Commission will continue to make a reasonable effort to maintain all boundary plaques and pavement markers at all border ports of entry. The agency will also 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 continue to work diplomatically with the Mexican Section to resolve any international boundary issues that arise.

ANALYSIS OF ENTITY'S FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

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

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

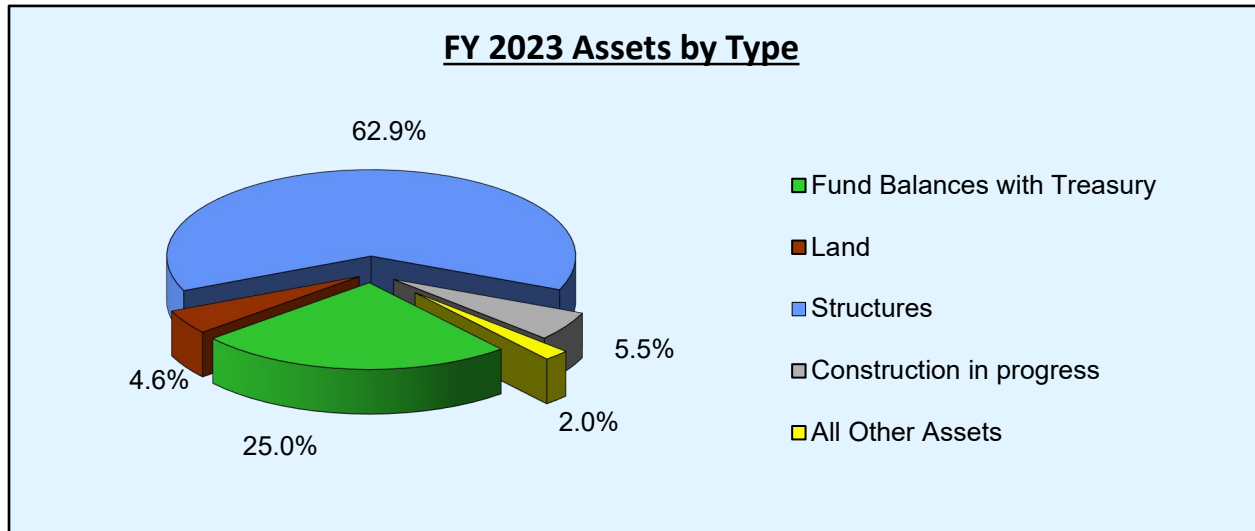
FINANCIAL HIGHLIGHTS

The Consolidated Balance Sheet Data summarizes the Agency's assets and liabilities, rounded to the nearest thousand as of September 30, 2023 and 2022. Sum totals of liabilities and assets are rounded actual totals, and not the totals of individually rounded amounts.

CONSOLIDATED BALANCE SHEET DATA AS OF SEPTEMBER 30, 2023 (CY) AND 2022 (PY) (Dollars in Thousands)				
	FY 2023	FY 2022	Net	Percent
	(CY)	(PY)	Change	Change
ASSETS				
Fund balance with treasury	\$ 286,895	\$ 255,640	\$ 31,255	12.2%
Accounts receivable, net	10,134	8,082	2,052	25.4%
Land	52,633	52,633	0	0.0%
Structures, net	722,598	731,100	(8,502)	(1.2%)
Construction in progress	63,018	52,294	10,724	20.5%
Equipment, net	9,118	4,908	4,210	85.8%
Internal Use Software	4,107	5,675	(1,568)	(27.6%)
Other assets	0	0	0	100.0%
Total assets	\$ 1,148,502	\$ 1,110,332	\$ 38,170	3.4%
LIABILITIES				
Accounts Payable	\$ 105	\$ 109	\$ (3)	(2.9%)
Accrued Unemployment	\$ 0	\$ 11	(11)	(100.0%)
Contract Accruals	6,478	5,688	790	13.9%
Accrued Payroll	861	585	277	47.4%
Accrued Workers Compensation	999	1,197	(197)	(16.5%)
Workers Compensation Actuarial	4,515	3,999	516	12.9%
Accrued Annual Leave	1,884	1,904	(20)	(1.1%)
Estimated cleanup cost liability	4,251	3,722	529	14.2%
Other Liabilities	427	308	119	38.8%
Total Liabilities	\$ 19,522	\$ 17,521	\$ 2,000	11.4%

ASSETS

The agency had total assets of \$1.15 billion at the end of FY 2023, which is \$38.17 million more than in FY 2022. The increase is the result of capitalized construction costs from the completion of various improvements. During the period, the Fund Balance with Treasury increased by \$31.26 million, and Construction in Progress increased by \$10.72 million.



RESULTS OF OPERATIONS

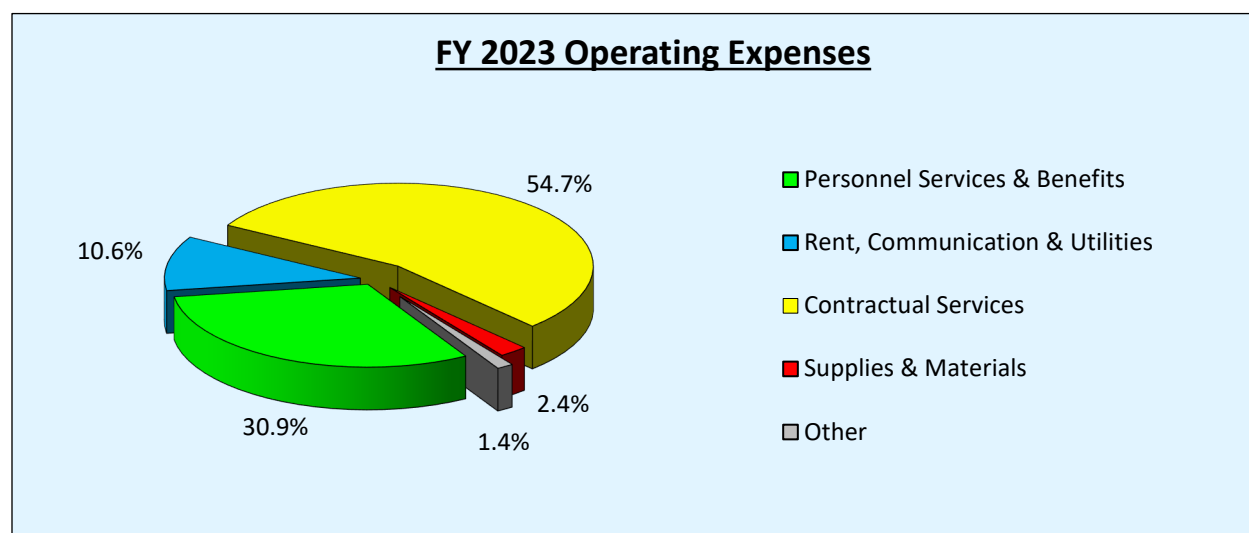
The Consolidated Statement of Net Cost provides the net results of operations.

STATEMENT OF NET COST FOR THE YEARS ENDED SEPTEMBER 30, 2023 (CY) and 2022 (PY)		
	FY 2023 (CY)	FY 2022 (PY)
PROGRAM COSTS		
Operating Expenses	\$ 83,081,249	\$ 63,793,016
Operating Expenses, Intragovt.	3,180,316	2,531,919
Benefits Expenses	8,081,679	7,708,570
Subtotal	\$ 94,343,244	\$ 74,033,505
Depreciation	\$ 28,376,376	\$ 28,760,159
Accrued, Annual Leave	(30,905)	287,795
Workers Compensation	318,968	(1,407,052)
Accrued Imputed Costs	0	0
Accrued Pension Costs	2,497,899	1,818,924
Capitalized Costs Offset	(33,269,386)	(11,747,378)
Interest Expense	32,309	3,831
Future funded expenses	529,068	525,730
Other Expenses	(9)	850
Loss on Disposition of Equipment	29,421	(523)
Total Program Costs	\$ 92,826,983	\$ 92,275,841
LESS EARNED REVENUE		
Interest and Penalties	\$ 0	\$ 0
IOI Income	0	(2,361,151)
EPA	(2,443,583)	0
O&M Wastewater Treatment Plants	(6,857,452)	(3,726,430)
Power Plant O&M - DOE	(5,604,365)	(6,182,815)
Department of Health	0	0
City of Nogales	(1,068,787)	3,140,036
Clean Rivers Project - Texas	(210,249)	(272,803)
Other Revenue	(53,024)	13,119
Quarters Rental	(122,467)	(92,944)
Leases/Licenses	(141,224)	(138,153)
O&M Cordova Bridge	(6,000)	(6,000)
Surety	0	0
Morillo Drain O&M - LRGWC	0	0
O&M Anzalduas Dam Stoplogs	14,117	(14,501)
Water Bulletins/FOIA/Scrap Metal/Other	(391)	(889)
GSA Vehicles	0	0
Contra Revenue - Nogales	0	(3,500,000)
Total Earned Revenue	\$ (16,493,424)	\$ (13,142,532)
NET COST OF OPERATIONS	\$ 76,333,559	\$ 79,133,309

International Boundary and Water Commission, United States Section

Below are a table and a graph, summarizing the agency's operating expenses, which increased \$20.31 million in FY 2023. Sum totals are rounded actual totals, and not the totals of individually rounded amounts.

ANNUAL OPERATING EXPENSE DATA AS OF SEPTEMBER 30, 2023 (CY) AND 2022 (PY) (Dollars in Thousands)				
ANNUAL OPERATING EXPENSES	FY 2023 (CY)	FY 2022 (PY)	Net Change	Percent Change
Personnel services & benefits	\$ 29,161	\$ 27,112	\$ 2,049	7.6%
Travel & transportation costs	1,281	1,046	236	22.6%
Rent, communication & utilities	10,038	7,707	2,330	30.2%
Printing & reproduction	13	8	6	78.1%
Contractual services	51,620	33,458	18,162	54.3%
Supplies & materials	2,229	4,532	(2,302)	(50.8%)
Grants & miscellaneous	0	171	(171)	(100.0%)
Total annual operating expenses	\$ 94,343	\$ 74,034	\$ 20,310	27.4%



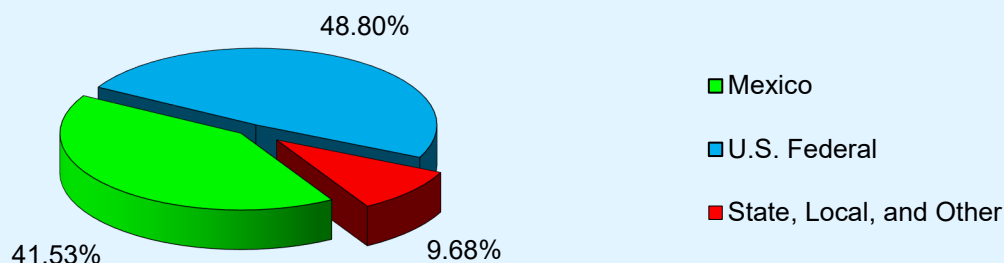
REVENUES AND FINANCING SOURCES

The U.S. Section received \$16.49 million in revenues in FY 2023, which was an increase of \$3.35 million over FY 2022. The key contributors of earned revenues are the U.S. Department of Energy (DOE), the U.S. Environmental Protection Agency (EPA), and Mexico Section (Mexico). The DOE contributed \$5.60 million for the operation and maintenance of the Amistad and Falcon Hydroelectric Power Plants. The EPA contributed \$2.44 million toward the rehabilitation and expansion of the SBIWTP. The Mexican Section contributed \$6.85 million for the operation and maintenance of the international wastewater treatment plants, evaluation and improvement of international dams, and other joint works.

The revenues received are summarized on the table below. Sum totals are rounded actual totals, and not the totals of individually rounded amounts.

REVENUE & FINANCING SOURCES AS OF SEPTEMBER 30, 2023 (CY) AND 2022 (PY) (Dollars in Thousands)				
FINANCING SOURCES	FY 2023 (CY)	FY 2022 (PY)	Net Change	% Change
Dept. of Energy (O&M of Power Plants)	\$ 5,604	\$ 6,183	\$ (578)	(9.4%)
Mexico (O&M of SBIWTP)	5,018	2,203	2,815	127.8%
Mexico (O&M of NIWTP)	1,839	1,523	316	20.7%
Contra Revenue - City of Nogales		3,500	(3,500)	(100.0%)
IOI Income		2,361	(2,361)	(100.0%)
Environmental Protection Agency	2,444		2,444	100.0%
State of Texas (Clean Rivers Program)	210	273	(63)	(22.9%)
City of Nogales (O&M of NIWTP)	1,069	(3,140)	4,209	(134.0%)
Other Mexico Payments	(8)	21	(29)	(139.6%)
Other Sources	317	219	98	44.9%
Financing Sources Total	\$ 16,493	\$ 13,143	\$ 3,351	25.5%

FY 2023 Revenue and Financing Sources

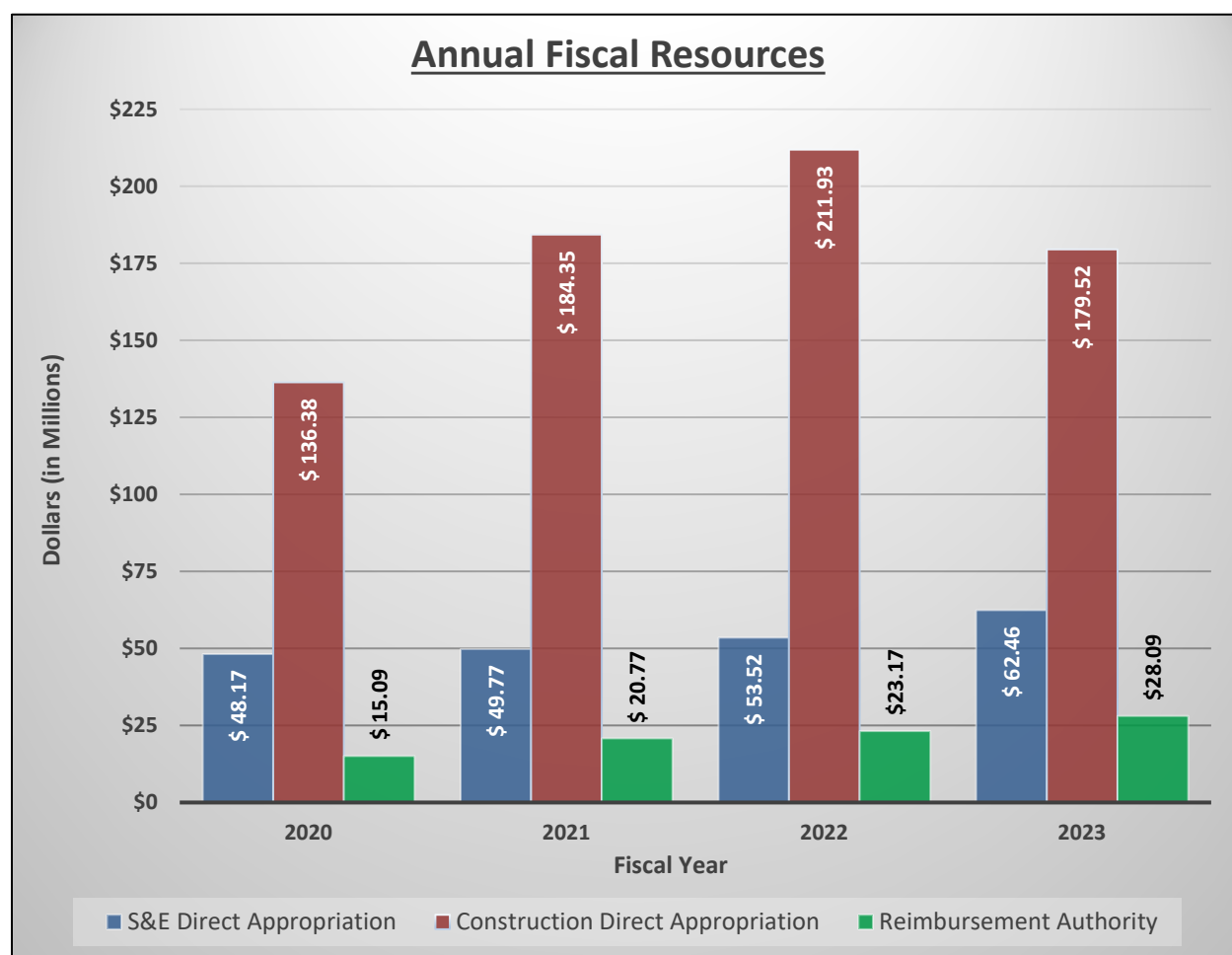


BUDGET INFORMATION

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

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

✚	FY 2020:	\$ 199.63 Million
✚	FY 2021:	\$ 254.89 Million
✚	FY 2022:	\$ 288.62 Million
✚	FY 2023:	\$ 270.07 Million



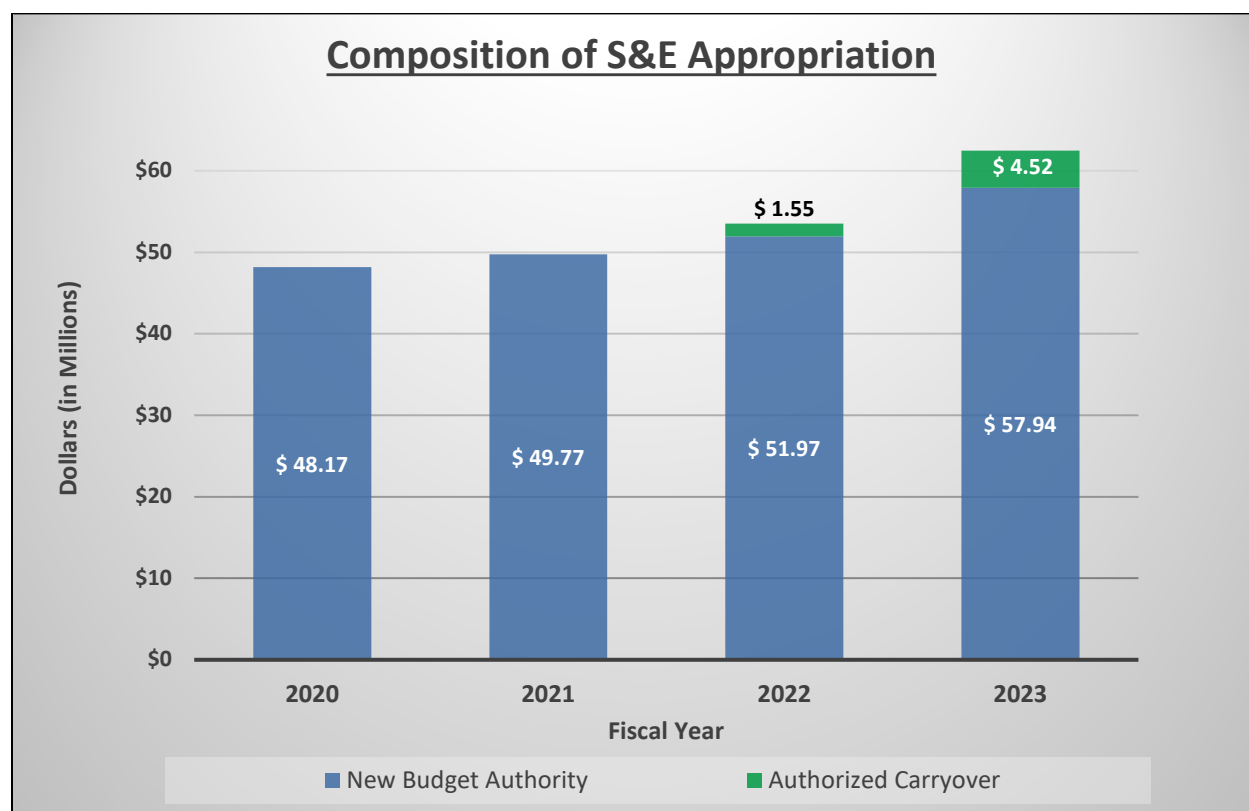
SALARIES AND EXPENSES APPROPRIATION

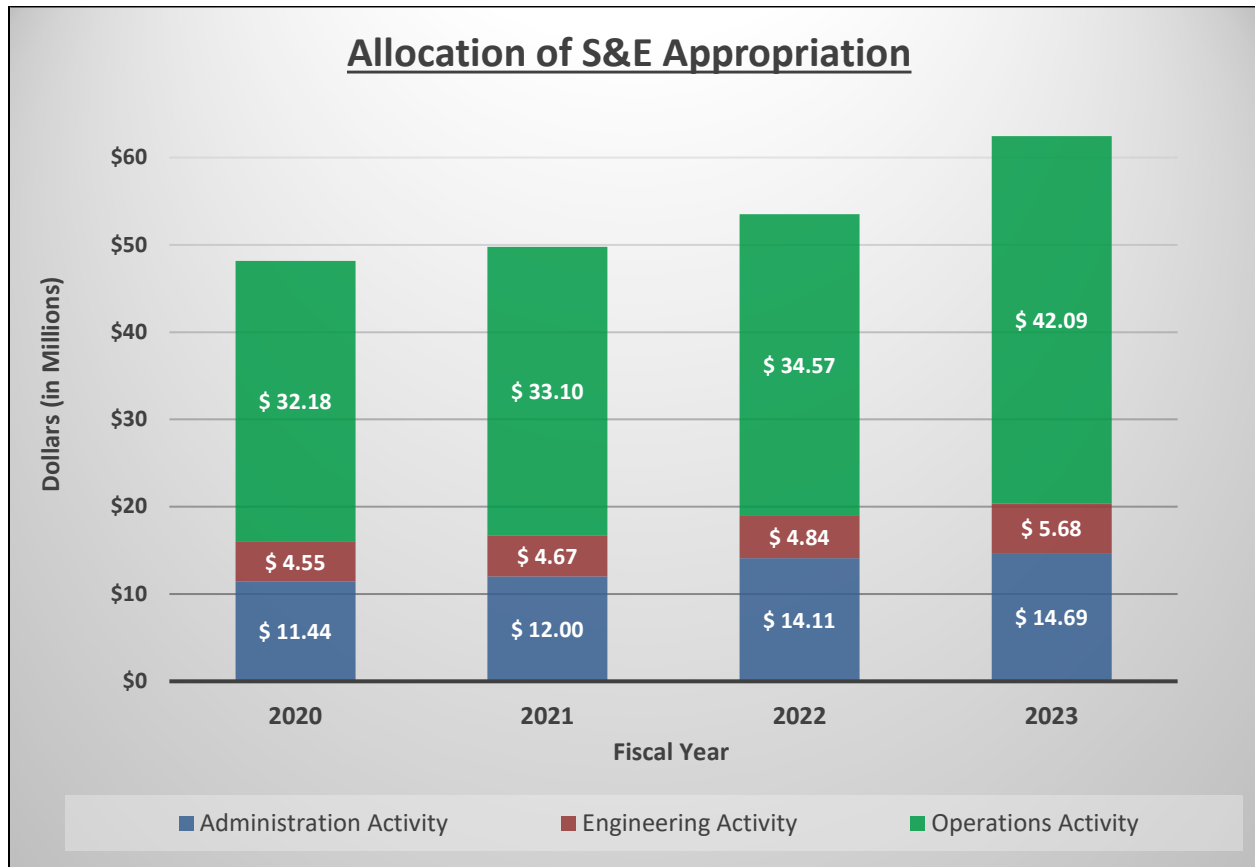
The U.S. Section's normal operating expenses, including labor, are funded through the S&E Appropriation. Prior to FY 2021, the S&E Appropriation was a one-year appropriation provided to fund annual steady-state requirements. This meant that unobligated funds could not be carried forward for use the following fiscal year. However, beginning in FY 2021, Congress granted the agency the authority to carry forward up to 15 percent of annual S&E Appropriations into the following fiscal year. Hence, S&E amounts prior to FY 2022 do not include carryover.

The S&E Appropriation is distributed among three primary agency activities: Administration, Engineering, and Operations. The Commissioner, the Executive Offices, and the Administration Department are all funded within the Administration Activity. The Engineering activity provides the resources for planning and environmental studies, water quality assessments, geotechnical and structural investigations, and engineering studies and designs to meet mission requirements. The Operations Activity funds the resources for operation and maintenance of agency facilities and works, 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 Appropriations:

FY 2020:	\$ 48.17 Million
FY 2021:	\$ 49.77 Million
FY 2022:	\$ 53.52 Million
FY 2023:	\$ 62.46 Million



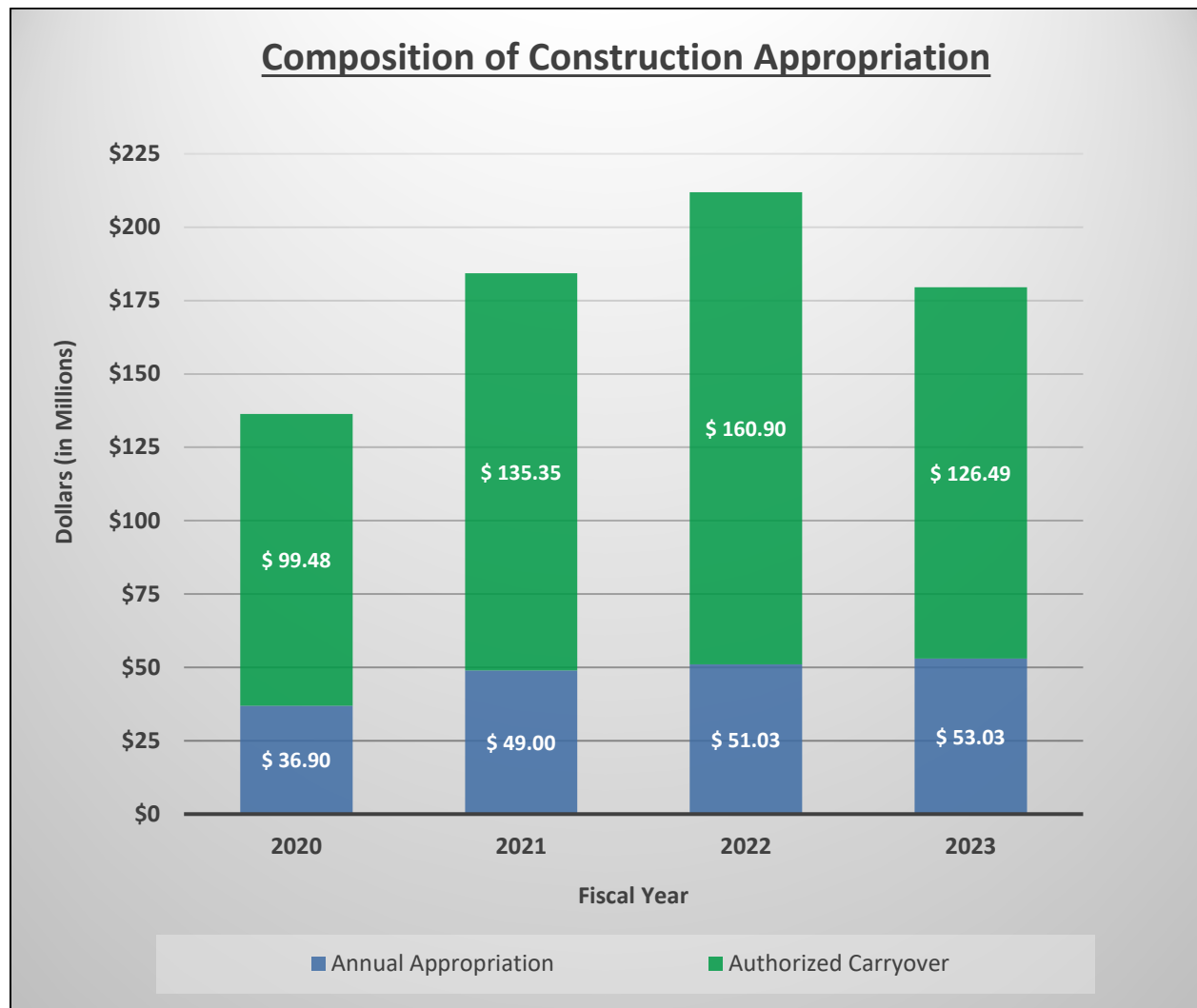


CONSTRUCTION APPROPRIATION

The U.S. Section's major construction or rehabilitation projects are funded by Congress through the Construction Appropriation. This appropriation provides the resources for the agency to provide improvements to land, facilities, and infrastructure. The Construction Appropriation is a no-year appropriation that is allocated among various capital projects in support of the agency's mission. No-year funds remains available until expended. Thus, any unused construction funds at the end of the fiscal year are carried over and available for obligation the following fiscal year.

Construction Direct Appropriation:

✚ FY 2020:	\$ 136.38 Million
✚ FY 2021:	\$ 184.35 Million
✚ FY 2022:	\$ 211.93 Million
✚ FY 2023:	\$ 179.52 Million



REIMBURSEMENT FUNDING

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

The primary sources of reimbursable funding consist of the following:

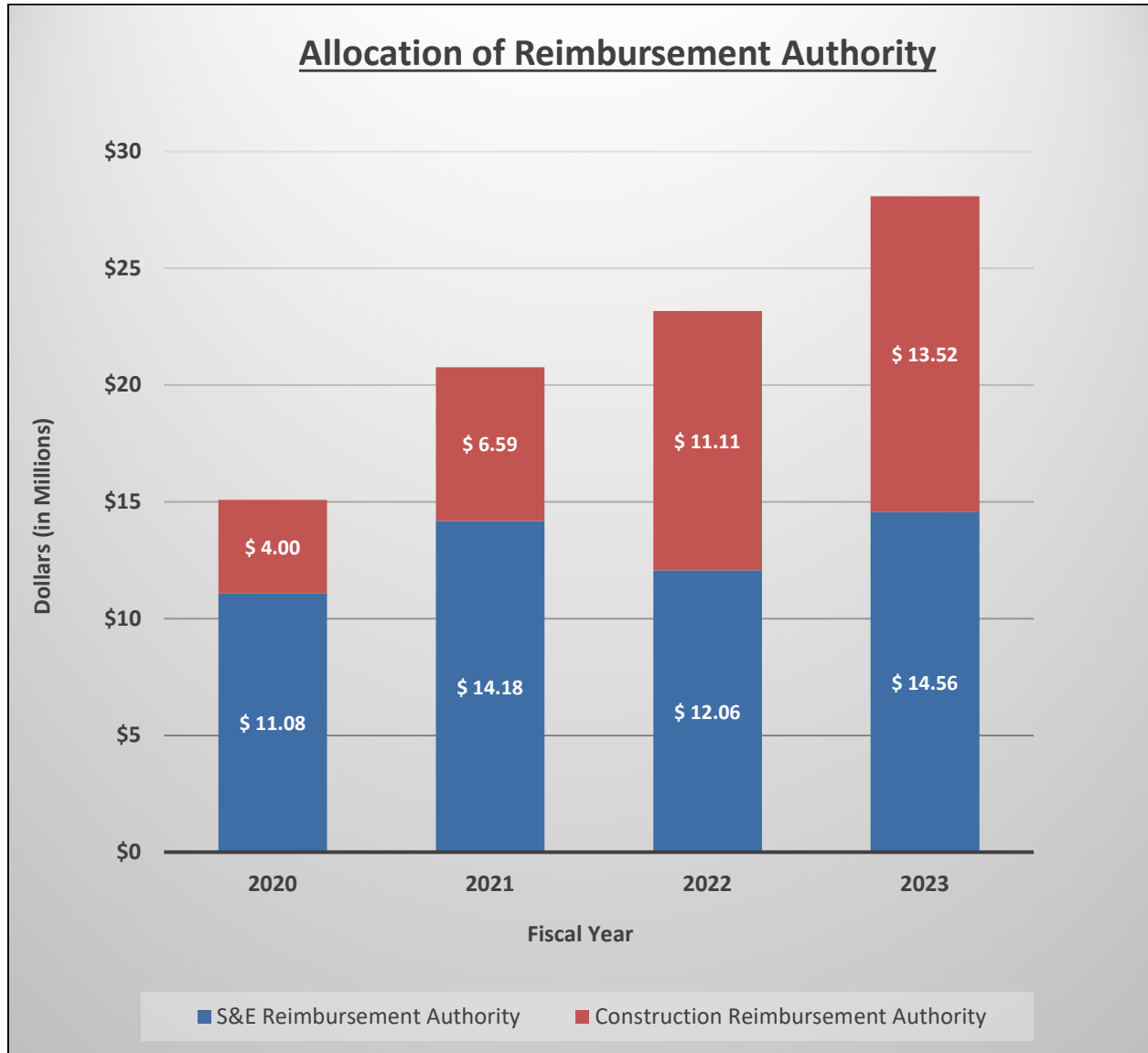
- Mexican Section – for purchases and expenses applied to Mexico for operation and maintenance of international wastewater treatment plants, power plants, and dams.
- State of Texas – to sample and assess the water quality of the Rio Grande at established sites under the Texas Clean Rivers Program.
-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

It should be noted that the Reimbursement Authority allotted to the U.S. Section indicates the ceiling of reimbursable funding that may be expended and obligated in a fiscal year. Annual obligations, which consist of both liquidated (expenditures) and unliquidated obligations, have ranged between 54.2% and 85.6% of the allotted authority over the last four years. Annual obligations have been updated to account for upward adjustments and deobligations through the end of this fiscal year. 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^[9]:

 FY 2020:	\$ 15.09 Million
 FY 2021	\$ 20.77 Million
 FY 2022	\$ 23.17 Million
 FY 2023	\$ 20.09 Million

^[9] The annual reimbursement authority amounts for FY 2020 and FY 2023 are rounded actual totals, and not the sum totals of the individually rounded amounts shown on the subsequent bar graph titled "Allocation of Reimbursement Authority."



FUNDING AMONG MISSION PROGRAMS

In addition to tracking fiscal resources among the agency's administration, engineering, operations and maintenance, and construction activities, the U.S. Section tracks the utilization of funds among its mission programs. These mission program areas coincide with the agency's strategic plan and strategic goals below.

- Strategic Goal 1: Water Quality Improvement:

Involves all water quality activities.

- Water quality monitoring of the Rio Grande, Colorado, and Tijuana Rivers, their tributaries, and the Pacific Ocean coastal waters.
- Construction, operation and maintenance of wastewater treatment facilities and associated infrastructure.
- Construction, renovation, and maintenance of facilities that support "water quality" operations.
- Implementation and maintenance of security improvements including deterrents, controls, and detection systems at key infrastructure and facilities that support "water quality" operations.
- Acquisition and maintenance of heavy mobile equipment and shop equipment used in support of "water quality" operations.

- Strategic Goal 2: Water Management (Water Conveyance):

Involves the control, containment, and utilization of the boundary and transboundary river waters.

- Measurement and accounting of river waters and tributaries, including operations and maintenance of water gaging stations.
- Operation of diversion and storage dams.
- Construction and maintenance of flood control works and related water conveyance structures.
- Operation and maintenance of the hydroelectric power plants to ensure uninterrupted power generation.
- Construction, renovation, and maintenance of facilities that support "water conveyance" operations.
- Implementation and maintenance of security improvements including deterrents, controls, and detection systems at key infrastructure and facilities that support "water conveyance" operations.
- Acquisition and maintenance of heavy mobile equipment and tractor-mowers used in support of "water conveyance" operations.

- Strategic Goals 3 and 5: Resource and Asset Management, and Leadership and Performance Excellence:

Entails the strategic management of assets and human and fiscal resources to support agency functions and ensure compliance with all mandatory requirements through strong leadership, optimized business operations, and a high-performing workforce.

- Maintenance of headquarters facilities, including general equipment and support systems.

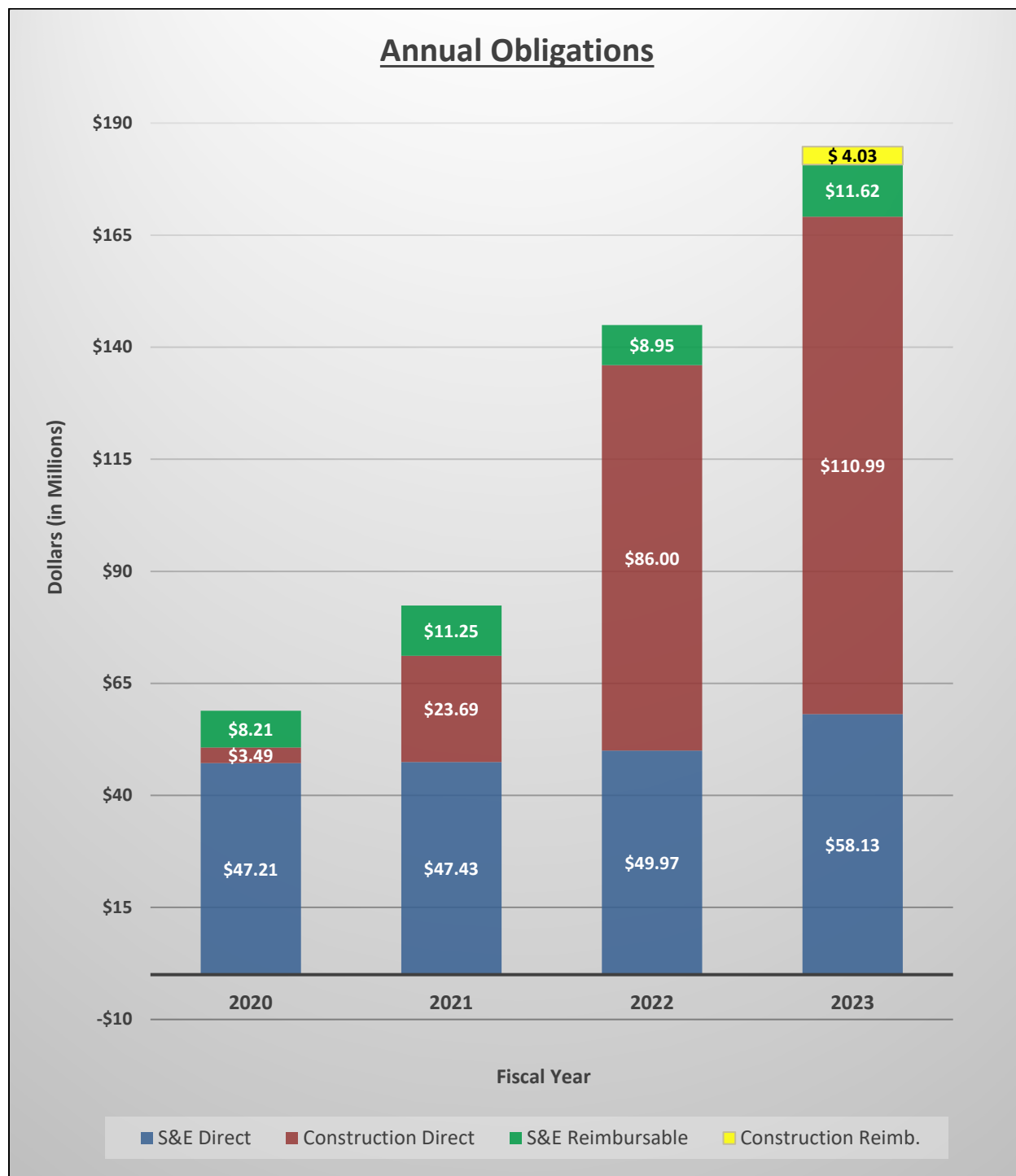
- Operations and maintenance of land and mobile radio communication systems, financial systems, information technology computer systems, etc.
- Development and maintenance of the enterprise geographic information system.
- Execution of stakeholder outreach, foreign affairs, and administrative support functions.
- Strategic Goal 4: Manage the United States and Mexico Boundary:
Includes activities associated with the preservation and demarcation of the United States – 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.

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

Total Annual Obligations^[10]:

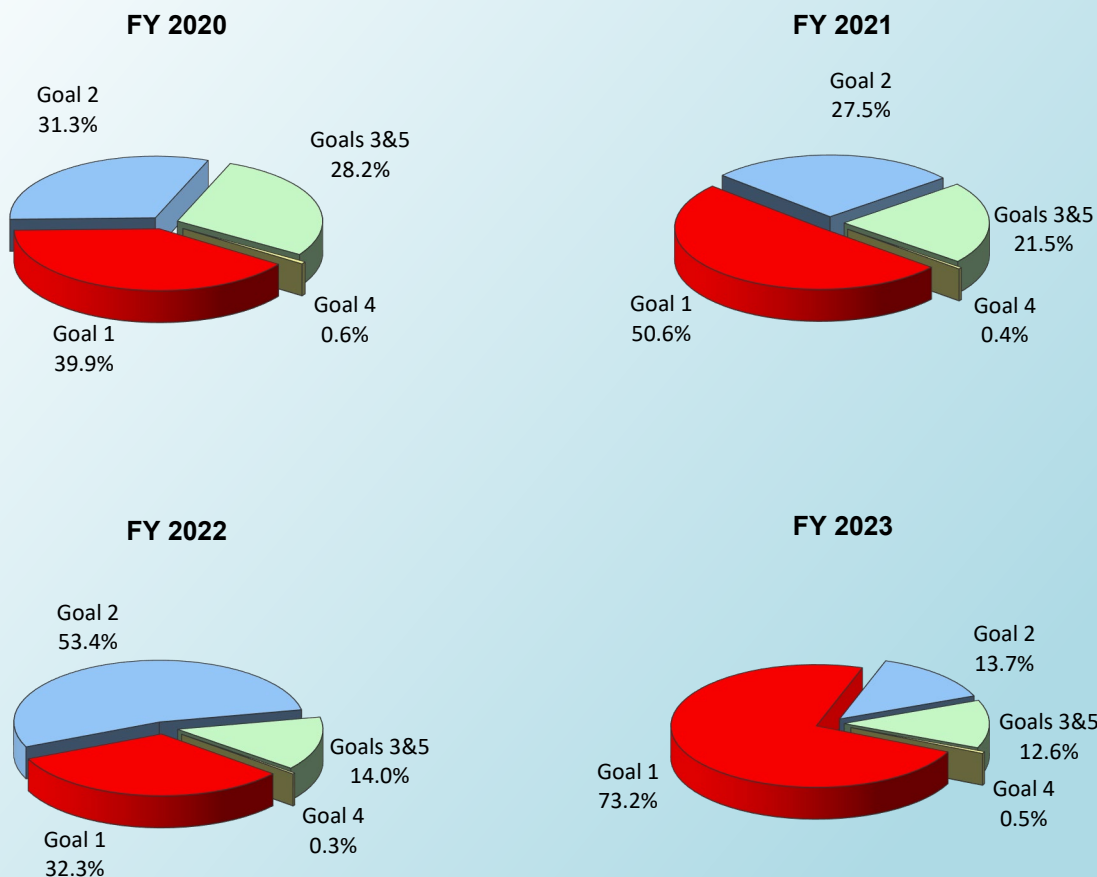
 FY 2020:	\$ 58.91 Million
 FY 2021:	\$ 82.38 Million
 FY 2022:	\$ 144.92 Million
 FY 2023:	\$ 184.78 Million

^[10] Annual obligation amounts for fiscal years 2020 through 2023 were obtained from a Spending Summary Report processed on December 12, 2023. The report data accounts for upward adjustments and deobligations made against prior year funds. The annual obligation totals for FY 2021 and FY 2023 are rounded actual totals, and not the sum totals of the individually rounded amounts shown on the subsequent bar graph titled "Annual Obligations."



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

Annual Obligations Among Strategic Goals



Strategic Goals:

- Goal 1: Water Quality Improvement
- Goal 2: Water Management (Water Conveyance)
- Goal 3: Resource and Asset Management
- Goal 4: Boundary Management (Preservation, Demarcation and Mapping)
- Goal 5: Leadership & Performance Excellence (Included with Goal 3)

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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

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SECTION 2: FINANCIAL REPORTING

INDEPENDENT FINANCIAL AUDIT

The independent certified public accounting firm of Kearney and Company, P. C. (Kearney) performed the audit of the U.S. Section's financial statements for the fiscal year ending as of September 30, 2023. Kearney also audited the agency's financial statements for the prior fiscal year ending as of September 30, 2022. These audits were conducted in accordance with accounting principles generally accepted in the United States of America, Office of Management and Budget audit guidance, the Council of the Inspectors General on Integrity and Efficiency, and the U.S. Government Accountability Office's Financial Audit Manual (FAM) and the Federal Information System Controls Audit Manual (FISCAM). Kearney was also contracted to evaluate and report on internal control over financial reporting and preform tests of compliance with provisions of laws, regulations, and contracts related to the annual financial statements.

Included below is the following documentation associated with the independent financial audit for FY 2023:

- Statement of Assurance Letter dated October 6, 2023 from the Commissioner to the U.S. Secretary of State, which provides reasonable assurance for the effective management of internal controls.
- Independent Financial Audit Report prepared by Kearney on January 23, 2024.
- Management's Response Letter dated March 2, 2024 from the Commissioner to the Assistant Inspector General responding to the recommendations of the Financial Audit.
- Audit Report Transmittal Letter dated March 12, 2024 from the Inspector General to the Commissioner.

STATEMENT OF ASSURANCE



OFFICE OF THE COMMISSIONER
UNITED STATES SECTION

INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

October 6, 2023

The Honorable Anthony Blinken
Secretary of State
Washington, D.C. 20520

Dear Mr. Secretary:

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

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

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

I have reviewed the results of internal management reviews performed, Government Accountability Office audit and Office of Inspector General audit/inspection reports, risk assessments, and other pertinent reviews performed in accordance with Departmental instructions and other relevant criteria, as well as the actions taken to correct identified weaknesses, if any. The results of this evaluation indicate that the systems of management control of IBWC in effect during the period October 1, 2022, through September 30, 2023, taken as a whole, provide reasonable assurance that the referenced management control objectives were achieved.

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

I have taken into consideration all the questions relating to Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*. I am fully aware of

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the risk of fraud within the IBWC, including any fraud risk the Department or others have identified or account balances or transactions that may be susceptible to fraud. Programs and controls within the IBWC have been implemented to address identified fraud risks or otherwise help to deter and detect fraud and are monitored on a continuous basis. Through this Statement of Assurance letter, I report to the Secretary, to the best of my knowledge, that I am not aware of any material¹ amounts of potential or actual fraud or suspected fraud affecting the IBWC.

I am aware of the requirements for ensuring that adequate controls are in place over the IBWC's real and personal property. I attest that personal property assets, including capitalized assets, at IBWC have been inventoried during FY 2023, reconciled, certified, and reported to the Chief Administrative Officer, since IBWC does not report to A/LM/PMP/PM. Also, complete reports of assets including construction in progress (CIP) details have been submitted to CGFS's Office of Financial Policy, Reporting and Analysis (CGFS/FPRA) on a quarterly basis; in addition, schedules of inspections and maintenance activities have also been provided as part of that routine.

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

Based on the results of this assessment, the IBWC can provide reasonable assurance that its internal control over reporting as of August 31, 2023, was operating effectively and no material weaknesses were found in the design or operation of the internal control over reporting.

Sincerely,

MARIAELENA
GINER

 Digitally signed by MARIAELENA
GINER
Date: 2023.10.06 15:52:11 -0600

Dr. Maria-Elena Giner, P.E.
Commissioner

Enclosure(s),
As state

¹ Material items are defined as individual fraudulent matters which are above \$10,000, and or collective fraudulent matters above \$20,000. See section F, page 7 of the Guidance for the FY 2023 Statement of Assurance Process document for further information.

TRANSMITTAL OF AUDIT REPORT



Office of Inspector General
United States Department of State

UNCLASSIFIED

March 12, 2024

The Honorable Maria-Elena Giner, U.S. Commissioner
International Boundary and Water Commission
United States and Mexico, U.S. Section
4191 North Mesa Street
El Paso, TX 79902-1441

Dear Commissioner Giner:

The Office of Inspector General (OIG) engaged an independent external auditor, Kearney & Company, P.C., to audit the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), as of September 30, 2023 and 2022, and for the years then ended; to report on internal control over financial reporting; and to report on compliance with laws, regulations, and contracts. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

In its report, *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements* (AUD-FM-24-13), Kearney & Company reported the following:

- that except for the possible effects of the matter described in the Basis for Qualified Opinion section of the report, the financial statements as of and for the fiscal years ended September 30, 2023 and 2022, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- one material weakness¹ in internal control over financial reporting related to property and equipment;
- one significant deficiency² in internal control over financial reporting related to information technology; and
- no instances of reportable noncompliance with laws, regulations, and contracts.

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

² A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

UNCLASSIFIED

Kearney & Company is responsible for the enclosed auditor's report, which includes the Independent Auditor's Report; the Report on Internal Control Over Financial Reporting, and the Report on Compliance With Laws, Regulations, and Contracts, dated January 23, 2024. Kearney & Company is also responsible for the conclusions expressed in the report. OIG does not express an opinion on USIBWC's financial statements or conclusions on internal control over financial reporting and compliance with laws, regulations, and contracts.

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

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

Sincerely,



Norman P. Brown
Assistant Inspector General for Audits

Enclosure: As stated.

cc: WHA/MEX – Dan Sainz
Kearney & Company, P.C. – Stephanie Mitjans

FINANCIAL STATEMENTS AUDIT



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INDEPENDENT AUDITOR'S REPORT

AUD-FM-24-13

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), which comprise the consolidated balance sheets as of September 30, 2023 and 2022; the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the years then ended; and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of USIBWC as of September 30, 2023 and 2022, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

In our report dated January 20, 2023, we expressed an opinion that USIBWC's financial statements presented fairly, in all material respects, the financial position of USIBWC as of September 30, 2022, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

During FY 2023, our audit procedures determined that the amount of construction-in-progress reported in USIBWC's FY 2023 and FY 2022 financial statements might be materially misstated. USIBWC was unable to provide timely and complete evidential matter to enable us to perform audit procedures to confirm whether certain construction-in-progress amounts were valid and supported. Specifically, USIBWC could not provide documentation demonstrating that some projects were ongoing, canceled, or completed. Consequently, we were unable to determine whether any adjustments to the FY 2023 and FY 2022 financial statements were necessary. As a result of these limitations, our present opinion on USIBWC's FY 2022 consolidated balance sheet; the related consolidated statement of net cost and changes in net position and the combined statement of budgetary resources for the year then ended; and the related notes to the financial statements, as presented herein, is different from that expressed in our previous report. Our previous opinion should not be relied upon.



We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. 24-01, "Audit Requirements for Federal Financial Statements." Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USIBWC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USIBWC's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



expressing an opinion on the effectiveness of USIBWC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USIBWC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance and Repairs, and Land be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB Circular A-136, "Financial Reporting Requirements," and the Federal Accounting Standards Advisory Board, which consider the information to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with *Government Auditing Standards*, which consisted of making inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01, we have also issued reports, dated January 23, 2024, on our consideration of USIBWC's internal control over financial reporting and on our tests of USIBWC's compliance with certain provisions of applicable laws, regulations, and contracts for the year ended September 30, 2023. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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. 24-01 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.

Alexandria, Virginia
January 23, 2024



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, "Audit Requirements for Federal Financial Statements," the financial statements and the related notes to 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, 2023, and we have issued our report thereon dated January 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered USIBWC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USIBWC's internal control. Accordingly, we do not express an opinion on the effectiveness of USIBWC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982,¹ such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the following deficiency in USIBWC's internal control to be a material weakness.

¹ Federal Managers' Financial Integrity Act of 1982, Public Law No. 97-255, 96 STAT 814 (September 8, 1982).



Material Weakness

Property and Equipment

USIBWC reported more than \$850 million in net property and equipment on its FY 2023 consolidated balance sheet. Real property consisted primarily of functional facilities and capital improvements to these facilities. Real property accounts included land, buildings, structures, leasehold improvements, and construction-in-progress (CIP). Personal property consisted of several asset categories, including vehicles, security equipment, communication equipment, and software. We identified control deficiencies with USIBWC's property and equipment processes that, when aggregated, constituted a material weakness in internal control. The individual deficiencies that we identified are summarized as follows:

- Construction Projects – As of September 30, 2023, USIBWC reported over \$63 million in construction projects.² Construction costs for projects that meet a “capitalization threshold”³ should be recorded as CIP, an asset account, during the design and construction phases. Once a construction project is substantially complete, USIBWC should transfer the cost of the project to a different asset account so that the item can be depreciated.⁴

We identified instances in which completed projects were not transferred from CIP to another asset account, CIP additions were not recorded in a timely manner, negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC was unable to provide documentation to support the negative or potentially invalid projects. Although USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete. Additionally, USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. Specifically, USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. The inaccurate and untimely recording of construction costs resulted in misstatements to USIBWC's financial statements. In addition, USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.

- Personal Property – USIBWC uses a property management system to track, manage, and record personal property transactions. Information in the property system is periodically merged or reconciled with the financial management system to centrally account for the acquisition, disposal, and transfer of personal property. During audit testing, we identified a significant number of personal property transactions that were not recorded in

² Projects could include new construction, real property renovations, or improvements to leased property.

³ USIBWC's capitalization threshold for CIP is \$25,000.

⁴ Depreciation is the allocation of the acquisition cost of an asset, less its estimated salvage value or residual value, over its estimated useful life for all capitalized assets except land.



the correct fiscal year. We also identified one asset that was not recorded in the financial management system. In addition, we identified inaccurately reported disposals for assets that were still in service. Furthermore, we identified obsolete assets that remained in the property and financial management systems despite being removed from service. Finally, we identified a significant number of assets that were inappropriately recorded as expenses rather than being capitalized as required. USIBWC's processes and controls did not ensure that transactions to record acquisitions and disposals of personal property were supported by documentation or recorded in a consistent and accurate manner. USIBWC did not have procedures in place to ensure the validity of disposals. USIBWC also did not have procedures in place to review the status of capital assets to identify potentially obsolete assets. Additionally, USIBWC did not implement new controls when transitioning to a new payment system to ensure the notification of the receipt of capital assets. The exceptions identified resulted in significant misstatements to USIBWC's prior year financial statements. In addition, the lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.

* * * * *

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in USIBWC's internal control to be a significant deficiency.

Significant Deficiency

Information Technology

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

On behalf of the Office of Inspector General, we performed an audit of the Department's FY 2023 information security program in accordance with the Federal Information Security Modernization Act of 2014 (FISMA).⁵ During that audit,⁶ we concluded that the Department did not have an effective organization-wide information security program. Specifically, we determined that eight of nine domains included in the "FY 2023-2024 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics" were operating

⁵ Public Law 113-283 (December 18, 2014), codified at Title 44 United States Code Chapter 35, Subchapter II, "Information Security."

⁶ Office of Inspector General, *Audit of the Department of State FY 2023 Information Security Program* (AUD IT 23-31, September 2023).



below an effective level. Some of the deficiencies identified that we determined had an impact on internal controls related to financial reporting were the lack of an effective process to authorize and reauthorize the Department's information systems to operate in a timely manner,⁷ as well as ineffective processes to track and remediate identified vulnerabilities.

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

We considered the weaknesses and deficiencies identified during the FISMA audit to be a significant deficiency within the scope of the FY 2023 financial statement audit. We have reported weaknesses and deficiencies in Information Technology security controls as a significant deficiency in each of USIBWC's financial statement audits since FY 2012.

Status of Prior Year Findings

In the Independent Auditor's Report on Internal Control Over Financial Reporting that was included in the audit report on USIBWC's FY 2022 financial statements,⁸ we noted one issue that was related to internal control over financial reporting. The status of this issue is summarized in Table 1.

Table 1. Status of Prior Year Finding

Control Deficiency	FY 2022 Status	FY 2023 Status
Information Technology	Significant Deficiency	Significant Deficiency

USIBWC's Response

USIBWC provided its response to the draft report in a separate letter included in this report as Appendix A. We did not audit management's response and, accordingly, express no opinion on it.

⁷ According to the National Institute of Standards and Technology, Special Publication 800-37, rev. 2, "Risk Management Framework for Information Systems and Organizations, A System Life Cycle Approach for Security and Privacy" (December 2018), page 91, an authorization to operate is "the official management decision given by a senior [f]ederal official or officials to authorize operation of an information system and to explicitly accept the risk to agency operations (including mission, functions, image, or reputation), agency assets, individuals, other organizations, and the Nation based on the implementation of an agreed-upon set of security and privacy controls."

⁸ Office of Inspector General, *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2022 and FY 2021 Financial Statements* (AUD-FM-23-13, March 2023).



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the effectiveness of USIBWC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01 in considering the entity's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is stylized and cursive.

Alexandria, Virginia
January 23, 2024



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www. Kearneyco.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, "Audit Requirements for Federal Financial Statements," the financial statements and the related notes to 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, 2023, and we have issued our report thereon dated January 23, 2024.

Report on Compliance

As part of obtaining reasonable assurance about whether USIBWC's financial statements are free from material misstatement, we performed tests of USIBWC's compliance with certain provisions of applicable laws, regulations, and contracts, noncompliance with which could have a direct and material impact on the determination of financial statement amounts and disclosures. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, and contracts applicable to USIBWC. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

During the audit, we noted a matter involving compliance, which we will report to USIBWC management in a separate letter.

USIBWC's Response

USIBWC provided its response to the draft report in a separate letter included in this report as Appendix A. We did not audit management's response and, accordingly, express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with laws, regulations, and contracts and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-01 in considering USIBWC's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
January 23, 2024

MANAGEMENT'S RESPONSE TO AUDIT REPORT



INTERNATIONAL BOUNDARY AND WATER COMMISSION
UNITED STATES AND MEXICO

March 2, 2024

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

Subject: Draft Independent Auditor's Report Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements

Dear Mr. Brown:

We acknowledge receipt of the draft report Independent Auditor's Report Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2023 and FY 2022 Financial Statements. As requested, please find on the attached addendum our updates on actions taken or planned for each of the recommendations to address the Report's findings of material weaknesses in internal controls for construction in progress (CIP) and Property and Equipment.

To highlight a few key areas for construction in progress (CIP) and property and equipment below are a few improvements we will be focusing in on.

1. In FY 2024, we will complete a historical reconciliation to determine status of designs or projects. We will address all corrective actions and will determine if the FY 2023 statement amendment is needed.
2. In April 2024, we are developing quarterly reports to closely monitor all construction project status and designs throughout its lifecycle. Initially, this effort will include monthly meetings with Finance, Engineering, Master Planning, on the entire lifecycle of all projects with the intent of a new directive being developed.
3. In FY 2024, we will review and update the Finance standard operating procedures (SOPs) to include the lifecycle of projects across our portfolio and we agree that expanding them will further strengthen internal controls.
4. USIBWC has hired a new Supervisory Logistics Management Specialist to oversee the Personal Property Office to assist with implementing internal controls to ensure compliance and a need to update our processed to capture new assets and conduct proper disposals.

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5. We have reviewed our Personal Property procedures and will be updating them to follow DOS directives and policies. Finance is now tracking all invoices for personal property and will be adding this new process to the SOP as stated above.
6. We agree that USIBWC needs to implement controls over Invoice Processing Platform (IPP) to ensure that proper processes are in place for property and equipment. In the last 2 years, we have purchased an unprecedented amount of heavy equipment. In FY 2024 as part of this update, both personal property office and finance will be tracking purchases, property and equipment that will result in stronger internal controls.

USIBWC remains committed to expand the use of data analytics to support decision and policy making. USIBWC remains committed to overseeing the assessment of internal controls over our programs, operations, financial systems, and financial reporting. We adhere to the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) to mitigate material weaknesses and ensure compliance.

We contracted a consultant to streamline in FY 2024 our administrative process to reduce human error, to produce dashboards, and further strengthen our internal controls. It will link procurement, finance, and budget systems to provide automation, transparency, and oversight, to improve decision making.

These efforts will further support organizational change management and enhance relationships and promote capturing of best practices across USIBWC between administrative and programmatic operations. Please see attached addendum for additional planning efforts USIBWC is undergoing for construction in progress and personal property modernization efforts to strengthen our internal controls.

Sincerely,

**MARIAELENA
GINER**

 Digitally signed by MARIAELENA
GINER
Date: 2024.03.02 10:34:17 -0700

Dr. Maria-Elena Giner, P.E.
Commissioner

Addendum

Material Weakness in Internal Control: Property and Equipment

Report Finding:

USIBWC reported more than \$850 million in net property and equipment on its FY 2023 consolidated balance sheet. Real property consisted primarily of functional facilities and capital improvements to these facilities. Real property accounts included land, buildings, structures, leasehold improvements, and construction-in-progress (CIP). Personal property consisted of several asset categories, including vehicles, security equipment, communication equipment, and software. We identified control deficiencies with USIBWC's property and equipment processes that, when aggregated, constituted a material weakness in internal control. The individual deficiencies that we identified are summarized as follows:

Construction Projects – As of September 30, 2023, USIBWC reported over \$63 million in construction projects. Construction costs for projects that meet a “capitalization threshold” should be recorded as CIP, an asset account, during the design and construction phases. Once a construction project is substantially complete, USIBWC should transfer the cost of the project to a different asset account so that the item can be depreciated.

We identified instances in which completed projects were not transferred from CIP to another asset account, CIP additions were not recorded in a timely manner, negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC was unable to provide documentation to support the negative or potentially invalid projects. Although USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete.

Additionally, USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. Specifically, USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. The inaccurate and untimely recording of construction costs resulted in misstatements to USIBWC's financial statements. In addition, USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.

Legend:

- ✓ = Complete
- ⌚ = In Progress
- = Not Started

Construction Projects

1st Weakness Identified:	Audit found that completed projects were not transferred from CIP to another asset account; and CIP additions were not recorded in a timely manner.
Response:	USIBWC's process is to review the Construction-in-Progress (CIP) after the quarter closes. In the FY2023 audit, one project was untimely transferred upon completion and 3 transactions out of the 237 transactions tested were not recorded timely.

FY 2023 Accomplishments

- ✓ USIBWC has created an internal intranet SharePoint site to drive compliance, decision making, improve business processes, and to further communications and transparency within the Agency.
- ✓ In 2023, our field offices have implemented a preventative maintenance tracking system via Microsoft Teams for their heavy operating equipment, overall facilities repair, and maintenance needs.
- ✓ The Master Planning Team has started weekly meetings to track all projects which includes Finance, Engineering, and the field offices.

FY 2024 Planned Actions

- ⌚ Finance will conduct the Construction in Progress reconciliations *prior* to the end of the quarter to ensure all items are reviewed and capitalized in the current period to reduce untimely transfers.
- ⌚ USIBWC in partnership with Department of State, are creating dashboards using data from our DOS systems to expand the use of data analytics to support decision and policy creation.
- ⌚ USIBWC has recently invested resource into an asset management contracting firm in FY 2024 to begin the development of an overall CIP. This system will be rolled out in four phases, and it will contain a detailed listing of all real property. It will also be tracking preventative maintenance required as well as any maintenance, improvements and future funding requests that will be needed.
- Finance will meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls and ensure data integrity.
- Our updated processes will be documented in the Finance Standard Operating Procedures (SOPs). The SOPs will be reviewed and updated annually with executive leadership.
- Implementation of Annual Work Plans – These are strategic working sessions between the Administrative Department and the HQs Divisions and 13 Field Offices at USIBWC.
 - An annual work plan consists as a workload and resource planning communication tool between Administrative Department and HQs Divisions/Field Offices reviewing the overall major issues, budget needs, personnel, aging facility repairs/maintenance, construction projects (CIP), Information Technology and Safety and Health Section.
 - The Annual Work plans will be conducted quarterly to ensure assessment and oversight over all our programs, operations, financial systems, and financial reporting. Specifically, closely monitoring planned expenditures for construction or improvement of existing federal facilities.
 - These meetings will help improve operational efficiency by ensuring that budgets are adhered to, policies are followed, capital shortages are identified, and accurate reports are generated for leadership. These meetings create a management lifecycle through the establishment of a strategic planning process driven by data, supported with evidence, and focused on results and compliance.

New USIBWC Annual Work Plan Cycle – FY 2026 DRAFT Concept below



2nd Weakness Identified:	USIBWC has ad hoc procedures in place related to accounting for construction costs, the procedures were not sufficient to ensure that construction costs were reported in a timely manner or that completed construction projects were transferred to the correct asset account when the projects were substantially complete.
Response:	USIBWC has the following internal controls to address accounting for construction costs and that they were reported in timely manner, and transferred to the correct asset account when the projects were complete.

FY 2023 Accomplishments	FY 2024 Planned Actions
✓ The Finance team sends two data calls to relevant staff quarterly, the substantially completed review data call and the property assurance data call. ▪ The substantially completed data call goes out to pertinent individuals that have information on the status of the construction contracts, who are to note the status on the data call so that Finance can track the pending estimated completion date. ▪ The property assurance data call goes out to all field offices and requests information on any new projects that are being constructed, as well as any building or structure that has been disposed of, so that Finance can account for these items timely. ✓ The quarterly Construction in Progress reconciliations review is designed to determine if a contract has been fully expended.	To further improve the process, Finance will do the following: ⊗ Conduct the Construction in Progress reconciliations prior to the end of the quarter so that Finance can ensure all items are reviewed and capitalized in the current period to reduce untimely transfers. ⊗ Coordinate with the Master Planning Team that is tracking all projects. ⊗ Meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls, so that we get the most accurate data and can answer questions. ⊗ Our updated processes will be documented in the Finance Standard Operating Procedures (SOPs). The SOPs will be reviewed and updated annually with executive leadership.

3rd Weakness Identified:	USIBWC was unable to provide documentation to support the negative or potentially invalid projects and negative CIP balances were recorded, and potentially invalid CIP projects were reported. USIBWC lacked sufficient internal controls to ensure that CIP projects with negative balances and potentially invalid projects were monitored and resolved in a timely manner. USIBWC did not perform periodic reviews of ongoing projects to ensure that CIP balances were accurate. USIBWC's inability to identify and support the status of construction projects increased the likelihood that USIBWC's asset and expense accounts contained material misstatements.
Response:	USIBWC does quarterly reviews of the CIP balances. In FY2017, USIBWC started accounting for all new expenditures by contract number which resulted in better tracking and timely clearing substantially completed projects. The review was insufficient due to the historical reconciliation (projects prior to 2017) not being completed in the time allotted by the auditors. USIBWC agrees that insufficient controls were in place prior to 2017 related to accounting for construction costs.

FY 2023 Accomplishments	FY 2024 Planned Actions
✓ USIBWC has started the historical reconciliation (projects prior to 2017) and has identified 38% of the unknown items.	To further improve the process, Finance will do the following: ⊗ Conduct the Construction in Progress reconciliations prior to the end of the quarter so that Finance can ensure all items are reviewed and capitalized in the current period to reduce untimely transfers. ⊗ Coordinate with the Master Planning Team that is tracking all projects. ⊗ Meet quarterly with each office to ensure that they understand the Property Assurance and Substantially Complete data calls, so that we get the most accurate data and can answer questions. ⊗ Document in a White Paper all historical findings and detail explanations of the issues that caused them. ⊗ Will work with DOS, OIG, on closing these historical projects to ensure CIP projects are recorded accurately to further strengthen internal control procedures.

Personal Property

Personal Property: – USIBWC uses a property management system to track, manage, and record personal property transactions. Information in the property system is periodically merged or reconciled with the financial management system to centrally account for the acquisition, disposal, and transfer of personal property.

During audit testing, we identified a significant number of personal property transactions that were not recorded in the correct fiscal year. We also identified one asset that was not recorded in the financial management system. In addition, we identified inaccurately reported disposals for assets that were still in service. Furthermore, we identified obsolete assets that remained in the property and financial management systems despite being removed from service. Finally, we identified a significant number of assets that were inappropriately recorded as expenses rather than being capitalized as required.

USIBWC's processes and controls did not ensure that transactions to record acquisitions and disposals of personal property were supported by documentation or recorded in a consistent and accurate manner. USIBWC did not have procedures in place to ensure the validity of disposals. USIBWC also did not have procedures in place to review the status of capital assets to identify potentially obsolete assets.

Additionally, USIBWC did not implement new controls when transitioning to a new payment system to ensure the notification of the receipt of capital assets. The exceptions identified resulted in significant misstatements to USIBWC's prior year financial statements. In addition, the lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.

1st Weakness Identified:	Audit identified a significant number of personal property transactions that were not recorded in the correct fiscal year.
Response:	In FY2021, USIBWC transitioned some invoices being reviewed and approved in Invoice Processing Platform (IPP). During the conversion, previous management determined that preparing a receiving report would not be necessary for the invoices processed in IPP as it was a duplication of work. The Personal Property Office process was to track all equipment and follow up to ensure that we received it and entered it in the State Department's asset management system timely. However, this resulted in a significant number of personal property transactions not recorded in the correct fiscal year.

FY 2023 Accomplishments

- ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that Department of State sends to USIBWC quarterly.
- ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices.

FY 2024 Planned Actions

- ⦿ USIBWC will be working closely with Department of State to further identify improved processes, training opportunities, and development SOPs regarding the IPP.
- Personal Property Office will track all property acquired and follow-up with the subject matter experts to ensure timely processing.
- Will provide Cost Center manager training to further strengthen internal controls.

2nd Weakness Identified:	Audit identified one asset that was not recorded in the financial management system.
Response:	This was a piece of survey equipment that was received on 9/18/2023. The invoice was submitted on 9/28/2023 for \$44,495.55 and was pending in IPP at the end of the fiscal year. This invoice was still in process and Finance did not know the equipment had been received. The asset was created in ILMS on 10/02/2023, this is currently pending correction with DOS to reflect the correct received date.

FY 2023 Accomplishments

- ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that Department of State sends to USIBWC quarterly.
- ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices.

FY 2024 Planned Actions

- Finance will have training with staff to ensure they have an understanding of what constitutes a capital expenditure and how to properly track these actions.

3rd Weakness Identified:	Audit identified inaccurately reported disposals for assets that were still in service and identified obsolete assets that remained in the property and financial management systems despite being removed from service.
Response:	USIBWC Personal Property Office personnel were going in to ILMS and manually disposing of assets instead of allowing the DS-132 fully process in the system and the work to dispose of the assets properly.

FY 2023 Accomplishments

- ✓ USIBWC Finance team has strengthened internal controls through new process improvements with our personal property accountable property supervisor involving monthly meeting and tracking invoices paid for capital property to ensure that they are properly recorded on the Capital Personal Property reports.
- ✓ USIBWC Property Management Officer (PMO) has partnered with the Department of State Personal Property Desk Officer in the deployment of a strategic action plan on disposal efforts, data integrity management, and updating role designation in FY 2024 in alignment with 14 FAM 211 2-1.
- ✓ To further manage these efforts, USIBWC hired a new Supervisory Logistics Management Specialist started at USIBWC as the Accountable Property Officer (APO) to oversee the Personal Property Office and to assist with implementing internal control processes to ensure compliance and strengthen internal controls.

FY 2024 Planned Actions

- All of these action items will be completed by October 2024 and will result in 100% Accountability for FY2025.
- An overall clean-up on the inventory, in order to Clear the system to provide for data integrity going forward, we have to clear the pending DS-132s in the system (over 130 pending). USIBWC has been instructed by DOS to not open the FY24 inventory (usually 10/1), because of the complexity of issues and concerns with FY23 and previous inventory management. USIBWC will open the inventory in April 2024 after Training.
 - USIBWC to Participate in Domestic Support Training (Deep Dive/ Clean-Up of Property Records. This training is scheduled for April/June/September 2024 for all supply technicians and managers.
 - USIBWC has communicated and is in partnership with our 13 field offices for the creation of a dedicated disposal team of internal experts. Department of State disposal experts are also working with us to effectively and efficiently dispose of assets beginning in March 2024.
 - Currently, USIBWC has over 10,000 personal property assets. In FY2024, USIBWC will be changing internal policy guidelines and follow DOS

accountable property guidelines and policy (41 CFR 102-35.20). This management change will result in reducing USIBWC accountable property inventory by 50% thus making it more manageable. This regulation states that anything below \$5,000 (within the designation) does not need to be scanned or on our accountable property inventory. (Ex. Chairs, desks, etc. anything below \$5,000). Serialized property having an acquisition cost of \$5,000 or greater per item will remain on our inventory per the regulation.

4th Weakness Identified:	Audit identified a significant number of assets that were inappropriately recorded as expenses rather than being capitalized as required. Audit also identified USIBWC did not implement new controls when transitioning to a new payment system to ensure the notification of the receipt of capital assets.
Response:	In FY2021, USIBWC transitioned some invoices being reviewed and approved in Invoice Processing Platform (IPP). During the conversion, previous management determined that preparing a receiving report would not be necessary for the invoices processed in IPP as it was a duplication of work. The Personal Property Office process was to track all equipment and follow up to ensure that we received it and entered it in ILMS timely.

FY 2023 Accomplishments

- ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that DOS sends to USIBWC quarterly.
- ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices.

FY 2024 Planned Actions

- Annual training for CORs at USIBWC that will be started in May 2024.

5th Weakness Identified:	Audit found that USIBWC's processes and controls did not ensure that transactions to record acquisitions and disposals of personal property were supported by documentation or recorded in a consistent and accurate manner.
Response:	USIBWC Personal Property Office personnel were going in to ILMS and manually disposing of assets instead of allowing the DS-132 fully process in the system and the work to dispose of the assets properly.

FY 2023 Accomplishments

- ✓ Finance is tracking all equipment after we process the invoice until we see it interface with ILMS and shows up on the Personal Property report that DOS sends to USIBWC quarterly.
- ✓ Finance is alerting the Personal Property Office of the delivery of equipment when we are processing invoices.

FY 2024 Planned Actions

- The Property Management Officer (PMO) is partnering with DOS Personal Property Desk Officer in the deployment of a strategic action plan on disposal efforts, data integrity management and updating role designations.
 - This action plan includes a clean-up on USIBWC accountable inventory and disposals DOS Inventory Logistics Management System (ILMS) training for all subject matter experts.
 - A new position has been recruited and filled in FY24 to manage these efforts. In January 2024, a new Supervisory Logistics Management Specialist started at USIBWC as the Accountable Property Officer (APO) to oversee the Personal Property Office and to assist with implementing internal control processes to ensure compliance.

6th Weakness Identified:	Audit found that USIBWC also did not have procedures in place to review the status of capital assets to identify potentially obsolete assets. Audit also found that lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.
Response:	USIBWC field offices identified obsolete assets, however USIBWC continues to work with the Department of State and General Services Administration on the correct process on disposal or transfer of these assets.

FY 2023 Accomplishments

- The Personal Property Office is reviewing all purchase requests to ensure USIBWC employees are tracking all capital personal property through its lifecycle.
- Finance is tracking invoices paid for capital property to ensure that they are properly recorded on the Capital Personal Property reports. Finance is also

FY 2024 Planned Actions

highlighting these items to the Personal Property Offices so that these items are received in a timely manner.

- ④ Finance is working with personnel to ensure that receiving reports are prepared timely and requiring submission of the delivery slip or any other documentation provided once items have been delivered to ensure accuracy of data entered in the system.

PRINCIPAL FINANCIAL STATEMENTS

The *Principal Financial Statements* have been prepared to report the financial position and results of operations of the International Boundary and Water Commission, U.S. Section. The Financial Statements have been prepared from the books and records of the U.S. Section in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, Financial Reporting Requirements. The Financial Statements are in addition to financial reports prepared by the U.S. Section in accordance with OMB and U.S. Department of Treasury directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. The Financial Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The U.S. Section has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. The Financial Statements present data for FY 2023 and FY 2022 in comparative formats.

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

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

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

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

International Boundary and Water Commission, United States Section

BALANCE SHEET

BALANCE SHEETS AS OF SEPTEMBER 30, 2023 (CY) AND 2022 (PY)		
	FY 2023 (CY)	FY 2022 (PY)
ASSETS		
Intragovernmental:		
Fund balance with treasury (Note 2)	\$ 286,895,157	\$ 255,640,361
Accounts receivable, net (Note 3)	0	0
Total Intragovernmental	286,895,157	255,640,361
Cash and other monetary assets	0	0
Accounts receivable, net (Note 3)	10,133,729	8,081,750
Advances	0	0
Property, plant, and equipment, net (Note 4)	851,473,475	846,609,885
Total assets	\$ 1,148,502,361	\$ 1,110,331,996
LIABILITIES		
Intragovernmental:		
Accrued payroll	\$ 239,712	\$ 176,200
Accrued Unemployment	0	10,830
Accounts payable	0	0
Accrued workers' compensation (Note 6)	999,456	1,196,777
Workers' compensation actuarial (Note 6)	4,515,225	3,998,936
Custodial Liability	474,099	308,001
Contract accruals	140,385	215,249
Total intragovernmental	6,368,876	5,905,993
Accounts payable	105,482	108,603
Contract accruals	6,337,597	5,472,670
Accrued payroll	621,735	408,300
Accrued annual leave	1,884,071	1,904,146
Advances	95,598	38,594
Deposit accounts	(142,553)	(38,922)
Estimated cleanup cost liability (Note 7)	4,251,037	3,721,970
Contingent liabilities	0	0
Total liabilities	\$ 19,521,844	\$ 17,521,353
NET POSITION		
Unexpended appropriations - all other funds	\$ 305,091,220	\$ 277,892,196
Cumulative results of operations - all other funds	823,889,296	814,918,447
Total net position	\$ 1,128,980,516	\$ 1,092,810,643
Total liabilities & net position	\$ 1,148,502,360	\$ 1,110,331,996
* * * The accompanying notes are an integral part of these statements. * * *		

STATEMENT OF NET COST

STATEMENT OF NET COST FOR THE YEARS ENDED SEPTEMBER 30, 2023 (CY) AND 2022 (PY)		
Strategic Goal	FY 2023 (CY)	FY 2022 (PY)
Boundary Management		
Gross cost	\$ 480,357	\$ 454,367
Earned revenue	(141,224)	(139,042)
Net program cost	339,133	315,324
Water Quality Improvement		
Gross cost	39,074,659	41,458,556
Earned revenue	(8,629,331)	(2,497,928)
Net program cost	30,445,328	38,960,628
Water Management		
Gross cost	30,275,809	34,979,600
Earned revenue	(7,672,120)	(10,491,061)
Net program cost	22,603,690	24,488,539
Resource & Asset Management		
Gross cost	22,996,158	15,383,318
Earned revenue	(50,750)	(14,501)
Net program cost	22,945,408	15,368,817
Total Gross Costs	\$ 92,826,983	\$ 92,275,841
Total Earned Revenue	(\$ 16,493,424)	(\$ 13,142,532)
Net cost of operations	\$ 76,333,559	\$ 79,133,309
* * * The accompanying notes are an integral part of these statements. * * *		

STATEMENT OF CHANGES IN NET POSITION (CY)

STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2023 (CY)				
	Funds from Dedicated Collections FY 2023 (CY)	All Other Funds FY 2023 (CY)	Eliminations FY 2023 (CY)	Consolidated Total FY 2023 (CY)
Cumulative Results of Operations:				
Beginning balances	\$ 0	\$ 814,918,447	\$ 0	\$ 814,918,447
Adjustments	0	0	0	0
Beginning balances, adjusted	0	814,918,447	0	814,918,447
Budgetary Financing Sources:				
Other adjustments	0	0	0	0
Appropriations used	0	82,948,923	0	82,948,923
Non-Exchange revenue	0	0	0	0
Transfers in/out	0	(142,415)	0	(142,415)
Other Financing Sources (Non-Exchange):				
Donations of property	0	0	0	0
Imputed financing	0	2,497,899	0	2,497,899
Net cost of operations	0	(76,333,559)	0	(76,333,559)
Net change	0	0	0	0
Cumulative Results of Operations	\$ 0	\$ 823,889,296	\$ 0	\$ 823,889,296
Unexpended Appropriations:				
Beginning balance	\$ 0	\$ 277,892,196	\$ 0	\$ 277,892,196
Adjustments	0	0	0	0
Beginning balance, adjusted	0	277,892,196	0	277,892,196
Budgetary Financing Sources:				
Appropriations received	0	110,965,000	0	110,965,000
Other adjustments	0	(817,053)	0	(817,053)
Appropriations used	0	(82,948,923)	0	(82,948,923)
Total budgetary financing sources	0	27,199,024	0	27,199,024
Total Unexpended Appropriations	\$ 0	\$ 305,091,220	\$ 0	\$ 305,091,220
Net Position	\$ 0	\$1,128,980,516	\$ 0	\$1,128,980,517
* * * The accompanying notes are an integral part of these statements. * * *				

STATEMENT OF CHANGES IN NET POSITION (PY)

STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2022 (PY)				
	Funds from Dedicated Collections FY 2022 (PY)	All Other Funds FY 2022 (PY)	Eliminations FY 2022 (PY)	Consolidated Total FY 2022 (PY)
Cumulative Results of Operations:				
Beginning balances	\$ 0	\$ 828,985,372	\$ 0	\$ 828,985,373
Adjustments	0	0	0	0
Beginning balances, adjusted	0	828,985,372	0	828,985,373
Budgetary Financing Sources:				
Other adjustments	0	0	0	0
Appropriations used	0	63,387,802	0	63,387,802
Non-Exchange revenue	0	0	0	0
Transfers in/out	0	(140,342)	0	(140,342)
Other Financing Sources (Non-Exchange):				
Donations of property	0	0	0	0
Imputed financing	0	1,818,924	0	1,818,924
Net cost of operations	0	(79,133,309)	0	(79,133,309)
Net change	0	0	0	0
Cumulative Results of Operations	\$ 0	\$ 814,918,447	\$ 0	\$ 814,918,447
Unexpended Appropriations:				
Beginning balance	\$ 0	\$ 239,002,672	\$ 0	\$ 239,002,672
Adjustments	0	0	0	0
Beginning balance, adjusted	0	239,002,672	0	239,002,672
Budgetary Financing Sources:				
Appropriations received	0	103,000,000	0	103,000,000
Other adjustments	0	(722,673)	0	(722,673)
Appropriations used	0	(63,387,802)	0	(63,387,802)
Total budgetary financing sources	0	38,889,525	0	38,889,525
Total Unexpended Appropriations	\$ 0	\$ 277,892,196	\$ 0	\$ 277,892,196
Net Position	\$ 0	\$1,092,810,643	\$ 0	\$1,092,810,643
* * * The accompanying notes are an integral part of these statements. * * *				

STATEMENT OF BUDGETARY RESOURCES

STATEMENT OF BUDGETARY RESOURCES AS OF SEPTEMBER 30, 2023 (CY) and 2022 (PY)				
	Budgetary 2023 (CY)	Non- Budgetary 2023 (CY)	Budgetary 2022 (PY)	Non- Budgetary 2022 (PY)
BUDGETARY RESOURCES:				
1051 Unoblig Balance PY Budget Auth	\$ 145,610,365	\$ 0	\$ 174,967,388	\$ 0
1290 Appropriations	110,965,000	0	103,000,000	0
1490 Borrowing Authority	0	0	0	0
1690 Contract Authority	0	0	0	0
1890 Spending Auth from Offsetting Coll	16,889,711	0	13,654,205	0
1910 Total Budgetary Resources	\$ 273,465,077	\$ 0	\$ 291,621,593	\$ 0
STATUS OF BUDGETARY RESOURCES:				
2190 New Obligations & Upward Adjmts	\$ 186,273,112	\$ 0	\$ 147,705,228	\$ 0
Unobligated Bal End of Year:				
2204 Apportioned	\$ 84,006,765	\$ 0	\$ 140,238,898	\$ 0
2304 Exempt from Apportionment	0	0	0	0
2404 Unapportioned	399,930	0	609,944	0
2412 Unexpired Unoblig Bal, End of Year	84,406,696	0	140,848,842	0
2413 Expired Unoblig Bal, End of Year	2,785,269	0	3,067,524	0
2490 Total Unoblig Bal, End of Year	87,191,964	0	143,916,365	0
2500 Total Budgetary Resources	\$ 273,465,077	\$ 0	\$ 291,621,593	\$ 0
BUDGET AUTHORITY & OUTLAYS, NET:				
4190 Outlays, Net	\$ 78,783,686	\$ 0	\$ 61,942,642	\$ 0
4200 Distributed Offsetting Receipts		0	0	0
4210 Agency Outlays, Net	\$ 78,783,686	\$ 0	\$ 61,942,642	\$ 0

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Reporting Entity

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

Basis of Accounting

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

Revenue and Other Financing Sources

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

Fund Balance with Treasury and Cash

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

Property and Equipment

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

Liabilities

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

Accrued Liabilities

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

Annual, Sick, and Other Leave

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

Retirement Plans

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

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

NOTE 2: FUND BALANCE WITH TREASURY

A summary of the fund balances with the U.S. Treasury as of September 30, 2023 and 2022 is provided below.

	FY 2023	FY 2022
Status of Fund Balances with Treasury		
Unobligated Balance		
Available	\$ 84,406,696	\$ 140,848,842
Unavailable	2,785,269	3,067,524
Obligated Balance not yet Disbursed	199,845,745	111,762,918
Non-Budgetary FBWT	(142,553)	(38,922)
Total	\$ 286,895,157	\$ 255,640,361

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from state, local, and foreign governments and are comprised of the following as of September 30, 2023 and 2022:

	FY 2023	FY 2022
Intra-Governmental Receivables		
Accounts Receivable-Billed	\$ 0	\$ 0
Accounts Receivable-Unbilled	0	0
Governmental Receivables		
Accounts Receivable-Billed	7,219,148	6,096,337
Accounts Receivable-Unbilled	2,914,581	1,985,413
Total	\$ 10,133,729	\$ 8,081,750
Mexico owed the U.S. Section the following amounts:		
O&M Nogales Wastewater Treatment Plant	7,155,168	6,303,846
Safety of Dams Rehabilitation Projects	0	0
O&M South Bay Wastewater Plant	2,172,222	1,232,000
O&M Anzalduas Dam Stoplogs & Utilities	5,883	20,000
O&M Cordova Bridge	6,000	0
Total	\$ 9,339,274	\$ 7,555,846

Most 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, and if payment is not received, the lease/license is cancelled. Therefore, no allowance for uncollectible accounts was established on September 30, 2023.

NOTE 4: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment as of September 30, 2023 and 2022, consisted of the following:

Classes of Fixed Assets	FY 2023 Acquisition Value	FY 2023 Accumulated Depreciation	FY 2023 Net Value	FY 2022 Net Value
Land	\$ 52,633,298	\$ 0	\$ 52,633,298	\$ 52,633,298
Structures, Facilities, and Leasehold Improvements	1,191,125,796	(468,528,150)	722,597,646	731,099,729
Internal Use Software	14,260,177	(10,153,393)	4,106,784	5,674,593
Equipment	37,961,366	(28,843,386)	9,117,980	4,908,106
Construction in Progress	63,017,766	0	63,017,766	52,294,158
Total	\$ 1,358,998,404	\$ (507,524,929)	\$ 851,473,475	\$ 846,609,885

Depreciation and amortization of property and equipment is calculated on a straight-line basis. Leasehold improvements are amortized over the shorter of the assets' useful life or the lease term. The U.S. Section capitalizes the acquisitions and or improvement of assets that meet the following criteria:

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

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

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

NOTE 5: STEWARDSHIP PP&E

A. Heritage Assets

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

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

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

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

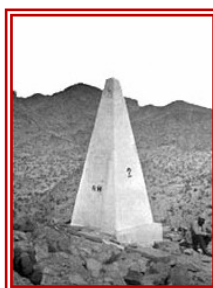
Although the monuments are all obelisk in shape, they vary in composition and appearance. Of the 276 monuments, 238 are composed of iron, 36 of masonry, one of granite, and one of marble. The iron monuments have a narrower base with a steeper-sloped shaft than the granite and masonry monuments. The marble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



Mon. No. 258
(Marble)



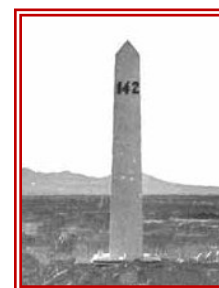
Mon. No. 255
(Granite)



Mon. No. 2
(Masonry)



Mon. No. 141
(Masonry)



Mon. No. 142
(Iron)

B. Multi-use Heritage Assets

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

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

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

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

C. Stewardship Land

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

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

The U.S. Section owns a 2.81 acres of stewardship land, which is registered as a National Historical Landmark because it is in the historic Fort Brown property. The agency is in the process of transferring/disposing of 166.44 acres previously part of old Fort Brown, which includes this 2.81 acres of stewardship land registered as a National Historical Landmark. No other stewardship land is owned or maintained by the agency.

Recreational facilities at Falcon Reservoir were developed in December 1954 by the State of Texas, Starr County, and by private interests. The Texas Parks and Wildlife Department operates the 548.6-acre Falcon State Park, located on the reservoir, about one mile upstream of the darn in Starr and Zapata Counties. This property was transferred on January 21, 1974, to the State of Texas for the perpetual use for a public park and recreation area.

D. Inventory Summary

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

INVENTORY SUMMARY OF HERITAGE ASSETS AS OF SEPTEMBER 30, 2022 AND 2021		
Description	Physical Units	
	FY 2023	FY 2022
Heritage Assets:		
Western Land Boundary Monuments No. 80 to 204-A	138	138
Multi-use Heritage Assets:		
Falcon International Dam (on U.S. side)	1	1
Falcon U.S. Hydroelectric Power Plant	1	1
Total Heritage and Multi-use Heritage Assets	140	140
<i>* <u>Note:</u> The term "dam" refers to the entire barrier that retains the water to create the reservoir. It includes the earthen embankment, reinforced concrete structure, and steel gates.</i>		

NOTE 6: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources as of September 30, 2023 and 2022, are provided below.

	FY 2023	FY 2022
Liabilities Not Covered by Budgetary Resources		
Intragovernmental:		
Workers Compensation Liability	\$ 999,456	\$ 1,196,777
FECA Actuarial Liability	4,515,225	3,998,936
Accrued Unemployment	0	10,830
Custodial Liability	474,099	308,001
Total Intragovernmental	\$ 5,988,779	\$ 5,514,544
Unfunded Annual Leave	\$ 1,884,071	\$ 1,904,146
Estimated Cleanup Costs-Asbestos	4,251,037	3,721,970
Total Liabilities Not Covered by Budgetary Resources	\$ 12,123,888	\$ 11,140,659
Total Liabilities Covered by Budgetary Resources	\$ 7,397,957	\$ 6,380,694
Total Liabilities	\$ 19,521,844	\$ 17,521,353

NOTE 7: ENVIRONMENTAL AND DISPOSAL LIABILITIES

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities for Federal Government; SFFAS 6, Accounting for Property, Plant and Equipment, Chapter 4 Cleanup Costs; and Technical Release (TR) 2, Determining Probable and Reasonable Estimable for Environmental Liabilities in the Federal Government, Technical Release 10, Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment, and Technical Release 11, Implementation Guidance on Cleanup Costs Associated with Equipment, federal agencies are required to recognize liabilities for environmental clean-up costs when the future outflow or sacrifice of resources is probable and reasonably estimable.

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

In FY 2023, the calculation was updated to account for the wage and price changes due to inflation, deflation, technology, and applicable laws and regulations. The updated cost for cleanup of ACM at U.S. Section facilities is \$1,640,281.18 for friable ACM and \$630,341.11 for non-friable ACM, totaling \$2,270,622.29. The updated cost for cleanup of LBP at agency-owned facilities is \$1,980,415.20. This results in a total ACM and LBP liability of \$4,251,037.49.

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

NOTE 8: OTHER LIABILITIES

The tables below provide the agency's liabilities as of September 30, 2023 and 2022.

	Non-Current	Current	FY 2023 (CY) Total
Intragovernmental Liabilities			
Contract Accruals	\$ 0	\$ 140,385	\$ 140,385
Accrued Payroll-Fringe Benefits	0	239,712	239,712
Total Intragovernmental	\$ 0	\$ 380,097	\$ 380,097
Contract Accruals	\$ 0	\$ 6,337,597	\$ 6,337,597
Accrued Payroll-Labor	0	621,735	621,735
Deposit Funds	0	(142,553)	(142,553)
Accounts Payable	0	105,482	105,482
Advances	0	95,598	95,598
Other Liabilities	0	0	0
Total Other Liabilities	\$ 0	\$ 7,397,957	\$ 7,397,957

	Non-Current	Current	FY 2022 (PY) Total
Intragovernmental Liabilities			
Contract Accruals	\$ 0	\$ 215,249	\$ 215,249
Accrued Payroll-Fringe Benefits	0	176,200	176,200
Total Intragovernmental	\$ 0	\$ 391,449	\$ 391,449
Contract Accruals	\$ 0	\$ 5,472,670	\$ 5,472,670
Accrued Payroll-Labor	0	408,300	408,300
Deposit Funds	0	(38,922)	(38,922)
Accounts Payable	0	108,603	108,603
Advances	0	38,594	38,594
Other Liabilities	0	0	0
Total Other Liabilities	\$ 0	\$ 6,380,694	\$ 6,380,694

NOTE 9: LEASES

The U.S. Section leased ninety (90) vans, pickup trucks, and passenger vehicles from the General Services Administration (GSA) for the twelve months of the fiscal year. The approximate cost of the vehicles leases for FY 2023 was \$709,881. 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 sixteen (16) multipurpose copiers during the fiscal year for approximately \$50,207. The copiers were primarily located in the Headquarters building. The copiers were leased on a twelve-month basis for FY 2023. A monthly maintenance agreement is also in place for agency owned copiers on a twelve-month basis for FY 2023.

The U.S. Section leased miscellaneous types of equipment such as heavy-duty water pumps, dump trucks and chlorine cylinders during this period. The approximate value of the leased miscellaneous equipment was \$8,742.

Future projected payments of operating leases are as follows:

OPERATING LEASES					
Fiscal Year	GSA Vehicles	Copiers	Radio Tower Space	Other	Total
FY 2024	\$ 733,770	\$ 25,943	\$ 0	\$ 10,000	\$ 769,714
FY 2025	755,784	26,722	0	10,000	792,505
FY 2026	778,457	27,523	0	10,000	815,980
FY 2027	801,811	28,349	0	10,000	840,160
FY 2028	825,865	29,200	0	10,000	865,065
Total Estimated Future Payments	\$ 3,895,687	\$ 137,737	\$ 0	\$ 50,000	\$ 4,083,424

NOTE 10: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	As of September 30,	
	FY 2023	FY 2022
WATER QUALITY IMPROVEMENT		
Intragovernmental cost	\$ 5,247,776	\$ 4,596,566
Public cost	<u>33,826,883</u>	<u>36,861,990</u>
Total Water Quality Costs	\$ 39,074,659	\$ 41,458,556
 Intragovernmental revenue	\$ (5,604,365)	\$ (6,182,815)
Public revenue	<u>(3,024,966)</u>	<u>3,684,887</u>
Total Water Quality Revenue	\$ (8,629,331)	\$ (2,497,928)
 WATER MANAGEMENT		
Intragovernmental cost	\$ 612,430	\$ 610,381
Public cost	<u>29,663,379</u>	<u>34,369,219</u>
Total Water Management Costs	\$ 30,275,809	\$ 34,979,600
 Intragovernmental revenue	\$ 0	\$ 0
Public revenue	<u>(7,672,120)</u>	<u>(10,491,061)</u>
Total Water Management Revenue	\$ (7,672,120)	\$ (10,491,061)
 RESOURCE & ASSET MANAGEMENT		
Intragovernmental cost	\$ 5,301,836	\$ 3,519,269
Public cost	<u>17,694,322</u>	<u>11,864,049</u>
Total Resource & Asset Mgt Costs	\$ 22,996,158	\$ 15,383,318
 Intragovernmental revenue	\$ 0	\$ 0
Public revenue	<u>(50,750)</u>	<u>(14,501)</u>
Total Resource & Asset Mgt Revenue	\$ (50,750)	\$ (14,501)
 BOUNDARY MANAGEMENT		
Intragovernmental cost	\$ 99,952	\$ 107,221
Public cost	<u>380,404</u>	<u>347,145</u>
Total Boundary Preservation Costs	\$ 480,357	\$ 454,367
 Intragovernmental revenue	\$ 0	\$ 0
Public revenue	<u>(141,224)</u>	<u>(139,042)</u>
Total Boundary Preservation Revenue	\$ (141,224)	\$ (139,042)

NOTE 11: EXCHANGE REVENUES

For the years ended September 30, 2023 and 2022, revenues from services provided and other revenues and financial sources consisted of the following:

	FY 2023	FY 2022
O&M Wastewater Treatment Plants	\$ (6,857,452)	\$ (3,726,430)
Power Plant O&M - DOE	(5,604,365)	(6,182,815)
State of Arizona - NIWTP Pipeline	0	0
Clean Rivers Project - Texas	(210,249)	(272,803)
City of Nogales	(1,068,787)	3,140,036
Quarters Rental	(122,467)	(92,944)
Surety	0	0
Leases/Licenses	(141,224)	(138,153)
Morillo Drain O&M - LRGWC	0	0
Mexico-O&M Cordova Bridge	(6,000)	(6,000)
O&M Anzalduas Dam Stoplogs	14,117	(14,501)
Water Bulletins/FOIA/Other	(391)	(889)
Other Revenue	5,835	13,119
Interest and Penalties	0	0
Contra Revenue	0	(3,500,000)
IOI Income	0	(2,361,151)
GSA Vehicles	0	0
Department of Health	0	0
DHS- Border Wall	(58,859)	0
EPA	(2,443,583)	0
Total Earned Revenue	\$ (16,493,424)	\$ (13,142,532)

Pricing Policy

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

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

Below are the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A and B for the years ended September 30, 2023 and 2022.

	FY 2023	FY 2022
Salary & Expenses (Category A):		
Direct Obligations	\$ 59,802,031	\$ 52,859,831
Reimbursable Obligations	11,431,963	8,799,523
Total Obligations Category A	\$ 71,233,994	\$ 61,659,353
Construction (Category B):		
Direct Obligations	\$ 111,007,838	\$ 86,045,875
Reimbursable Obligations	4,031,280	0
Total Obligations Category B	\$ 115,039,118	\$ 86,045,875

NOTE 13: UNDELIVERED ORDERS AT THE END OF THE PERIOD

Below are the budgetary resources obligated for undelivered orders for the years ended September 30, 2023 and 2022.

	FY 2023	FY 2022
Salaries & Expenses Appropriations		
Fund 1971069	\$ 0	\$ 0
Fund 1981069	0	98,783
Fund 1991069	454,867	465,164
Fund 1901069	196,887	227,355
Fund 1911069	1,159,494	2,808,865
Fund 19121069	858	2,378
Fund 1921069	1,626,324	8,363,176
Fund 19231069	906,803	3,592,107
Fund 1931069	19,481,651	0
Fund 19341069	192,280	0
Total S&E Appropriations	\$ 24,019,163	\$ 15,557,829
Construction Appropriations		
Fund 19X1078	\$ 181,723,072	\$ 99,750,154
Total Cons. Appropriations	\$ 181,723,072	\$ 99,750,154

NOTE 14: RECONCILIATION OF NET COST TO NET OUTLAYS

Below is the reconciliation of net cost to net outlays for the years ending September 30, 2023 and 2022.

	Intra- Governmental FY 2023	Public FY 2023	Total FY 2023	Total FY 2022
NET COST	\$ 5,657,630	\$ 70,675,929	\$ 76,333,559	\$ 79,133,309
Components of Net Cost Not Part of Net Outlays				
Property, plant, and equipment depreciation	0	(28,376,376)	(28,376,376)	(28,760,159)
Property, plant, & equipment disposals and re-valuations	0	0	0	0
Cost Capitalization Offset	0	33,269,386	33,269,386	11,747,378
Increase/Decrease in Assets Not Affecting Net Outlays				
Accounts Receivable	0	2,051,978	2,051,978	(1,667,988)
Other Assets	0	0	0	0
Advances or Prepayments	0	0	0	0
Increase/Decrease in Liabilities Not Affecting Net Outlays				
Accounts payable	0	3,120	3,120	(108,603)
Salaries and benefits	(63,512)	(213,435)	(276,947)	892,400
Accrued Unemployment	10,830	0	10,830	(10,830)
Environmental and disposal liabilities	0	(529,068)	(529,068)	(525,730)
Accrued annual leave	0	20,075	20,075	(276,965)
Accrued workers compensation	197,322	0	197,322	(34,185)
Workers' compensation actuarial	(516,289)	0	(516,289)	1,441,236
Custodial Liability	(166,098)	0	(166,098)	(148,558)
Contract accruals	74,864	(864,927)	(790,063)	1,854,524
Advances	0	(57,003)	(57,003)	97,989
Other Financing Sources:				
Accrued pension costs	(2,497,899)	0	(2,497,899)	(1,818,924)
Transfers out/(in) without reimbursements	0	0	0	0
Collections for Others	0	142,415	142,415	140,342
Other Revenue - Cancellation	0	(5,835)	(5,835)	(13,119)
Loss on Disposition	0	(29,421)	(29,421)	523
Total Components of Net Cost Not Part of Net Outlays	(2,960,783)	5,410,911	2,450,128	(17,190,667)
Components of Net Outlays Not Part of Net Cost:				
Other	0	0	0	0
Total Components of Net Outlays Not Part of Net Cost:	0	0	0	0
NET OUTLAYS	\$ 2,696,847	\$ 76,086,840	\$ 78,783,687	\$ 61,942,642

NOTE 15: CONTINGENCIES AND COMMITMENTS

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

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

Contingent Liabilities	Accrued Liability	Estimated Range of Losses	
		Lower End of Range	Upper End of Range
Probable	\$ 0	\$ 0	\$ 0
Reasonably Possible	\$ 0	\$ 0	\$ 0

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REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE AND REPAIR

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

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

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

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

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

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

Condition ratings and estimated deferred maintenance and repairs costs of agency assets by category are provided in the following table for the fiscal year ending September 30, 2023.

DEFERRED MAINTENANCE AND REPAIR AS OF SEPTEMBER 30, 2023				
Asset Category	Condition of Assets	Critical DM&R Cost	Non-critical DM&R Cost	Total Cost
Water Conveyance Assets:				
Amistad International Dam & Embankment	2 to 5	\$ 1,022,700	\$ 0	\$ 1,022,700
Amistad U.S. Power Plant	N/A	561,750	0	561,750
Gaging/Telemetry Systems	3	610,000	225,000	835,000
Levee systems, Floodplains, & Channels	2 to 4	2,388,000	51,000	2,439,000
Diversion Dams & Grade Control Struct.	4	120,000	0	120,000
Other Structures (bridges, canals, culverts)	3 to 4	488,000	0	488,000
Water Quality Assets:				
Wastewater Treatment Plant Infrastructure	2 to 5	259,500	0	259,500
Field Office Buildings and Grounds:				
Office Buildings	3 to 5	427,800	63,000	490,800
Warehouses & Service Buildings	3 to 5	280,100	51,000	331,100
Family Housing	3	115,100	501,000	616,100
Falcon Water Treatment Plant Infrastructure	4	438,000	35,000	473,000
Other (grounds, fencing, etc.)	2 to 5	460,000	135,000	595,000
Common Assets - Subtotal	2 to 5	\$ 7,170,950	\$ 1,061,000	\$ 8,231,950
Heritage Assets:				
Land Boundary Monuments #80 to #204A	2 to 5	\$ 200,000	\$ 0	\$ 200,000
Multi-use Heritage Assets:				
Falcon International Dam & Embankment	3 to 4	1,790,000	450,000	2,240,000
Falcon U.S. Power Plant	2 to 4	80,000	117,000	197,000
All Heritage Assets - Subtotal	2 to 5	\$ 2,070,000	\$ 567,000	\$ 2,637,000
Deferred Maintenance & Repair - TOTAL	2 to 5	\$ 9,240,950	\$ 1,628,000	\$10,868,950

A comparison of deferred maintenance and repair costs reported for the years ending on September 30, 2023 and 2022 are summarized in the following table.

COMPARISON OF DEFERRED MAINTENANCE AND REPAIR COSTS FOR FISCAL YEARS ENDING SEPTEMBER 30, 2023 AND 2022				
Asset Category	Condition of Assets	Critical DM&R Cost	Non-critical DM&R Cost	Total Cost
<u>FY 2022</u>				
Water Conveyance Assets:	2 to 5	\$ 2,248,787	\$ 72,000	\$ 2,320,787
Water Quality Assets:	2 to 5	1,412,679	0	1,412,679
Field Office Buildings and Grounds:	1 to 5	2,528,719	865,152	3,393,871
Heritage Assets:	2 to 5	50,000	30,000	80,000
Multi-use Heritage Assets:	2 to 5	2,933,000	250,000	3,183,000
FY 2021 DMR Totals	1 to 5	\$ 9,173,185	\$ 1,217,152	\$ 10,390,337
<u>FY 2023</u>				
Water Conveyance Assets:	2 to 5	\$ 5,190,450	\$ 276,000	\$ 5,466,450
Water Quality Assets:	2 to 5	259,500	0	259,500
Field Office Buildings and Grounds:	1 to 5	1,721,000	785,000	2,506,000
Heritage Assets:	2 to 5	200,000	0	200,000
Multi-use Heritage Assets:	2 to 5	1,870,000	567,000	2,437,000
FY 2022 DMR Totals	1 to 5	\$ 9,240,950	\$ 1,628,000	\$ 10,868,950
<u>Annual Increase/(Decrease)</u>				
Water Conveyance Assets:	-	\$ 2,941,663	\$ 204,000	\$ 3,145,663
Water Quality Assets:	-	(1,153,179)	0	(1,153,179)
Field Office Buildings and Grounds:	-	(807,719)	(80,152)	(887,871)
Heritage Assets:	-	150,000	(30,000)	120,000
Multi-use Heritage Assets:	-	(1,063,000)	317,000	(746,000)
Total Increases/Decreases	-	\$ 67,765	\$ 410,848	\$ 478,613

COMBINING STATEMENT OF BUDGETARY RESOURCES

COMBINING STATEMENT OF BUDGETARY RESOURCES As of SEPTEMBER 30, 2023 (CY)			
	19_1069 Budgetary FY 2023 (CY)	19X1078 Budgetary FY 2023 (CY)	Total Budgetary FY 2023 (CY)
BUDGETARY RESOURCES:			
1051 Unoblig Balance PY Budget Auth	\$ 7,607,403	\$ 138,002,963	\$ 145,610,365
1290 Appropriations	57,935,000	53,030,000	110,965,000
1490 Borrowing Authority	0	0	0
1690 Contract Authority	0	0	0
1890 Spending Auth from Offsetting Coll	14,446,128	2,443,583	16,889,711
1910 Total Budgetary Resources	\$79,988,531	\$193,476,546	\$273,465,077
STATUS OF BUDGETARY RESOURCES:			
2190 New obligations and upward adjustments	\$ 71,233,994	\$ 115,039,118	\$ 186,273,112
Unobligated Bal End of Year:			
2204 Apportioned	5,969,268	78,037,498	84,006,765
2304 Exempt from Apportionment	0	0	0
2404 Unapportioned	0	399,930	399,930
2412 Unexpired unobligated balance, end of year	5,969,268	78,437,428	84,406,696
2413 Expired unobligated balance, end of year	2,785,269	0	2,785,269
2490 Total Unoblig Bal, End of Year	8,754,537	78,437,428	87,191,964
2500 Total Budgetary Resources	\$ 79,988,531	\$ 193,476,546	\$ 273,465,077
BUDGET AUTHORITY & OUTLAYS, NET:			
4190 Outlays, Net	\$ 48,581,498	\$ 30,202,188	\$ 78,783,686
4200 Distributed Offsetting Receipts	0	0	0
4210 Agency Outlays, Net	\$ 48,581,498	\$ 30,202,188	\$ 78,783,686

LAND

The U.S. Section holds land predominantly for operational purposes. The agency does not oversee stewardship land; except for an administered parcel holding the archeological remains of a battlefield site in south Texas at the old Fort Brown. The agency is responsible for the management of programs, facilities, and infrastructure created pursuant to treaties between the United States and Mexico.

The old Fort Brown land is deemed to be held for disposal or exchange. House Resolution 2617, which was signed into law on December 29, 2022, would transfer the 166.44-acre parcel to the Palo Alto Battlefield National Historical Park in Texas, which is managed by the National Park Service. At fiscal year-end, a feasibility study is required to see if the land will be added to the national historical park, and if the land is found feasible and appropriate, then the National Park Service may accept the land. Currently, only 2.81 acres of the 166.44-acre parcel is registered as a historical landmark in the National Register of Historic Places.

The table below reports the U.S. Section's land by predominant use.

AS OF SEPTEMBER 30, 2023		
Conservation and Preservation 2.81 acres	Operational 146,211.86 acres	Total Estimated Acreage 146,214.67 acres
AS OF SEPTEMBER 30, 2022		
Conservation and Preservation 2.81 acres	Operational 146,211.86 acres	Total Estimated Acreage 146,214.67 acres

Please note that in FY 2022, the U.S. Section had a calculation error resulting in the wrong acreage being reported for the operational area. To correct these overstatements, the agency reduced the 2022 balance by 535.97 acres. The FY 2023 adjustment represents the correct acreage for FY 2022.

< < < End of Section 2: *Financial Section* > > >



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