



U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

**Independent Auditor's Report on the
Saint Lawrence Seaway Development
Corporation's Financial Statements for
Fiscal Years 2019 and 2018**

SLSDC

Report No. FI2020008

November 13, 2019





Independent Auditor's Report on the Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2019 and 2018

Required by Government Corporation Control Act of 1945 and the Chief Financial Officers Act of 1990

Saint Lawrence Seaway Development Corporation | FI2020008 | November 13, 2019

What We Looked At

In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of the Saint Lawrence Seaway Development Corporation (SLSDC), a U.S. Government Corporation, as of and for the fiscal years ended September 30, 2019, and September 30, 2018.

What We Found

In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2019, and September 30, 2018, and its statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles. We found no material weaknesses in internal control over financial reporting based on the limited procedures we performed. We also found no reportable noncompliance for fiscal year 2019, with provisions of applicable laws, regulations, and contracts we tested.

Recommendations

We are making no recommendations.

Contents

Memorandum	1
Report on the Financial Statements	3
Report on Internal Control Over Financial Reporting	5
Report on Compliance with Laws, Regulations, and Contracts	7
Agency Comments and OIG Response	8
Actions Required	8
Exhibit A. List of Acronyms	9
Exhibit B. Major Contributors to This Report	10
Appendix. Agency Response	11
Attachment 1. Agency Management Discussion and Analysis	12
Attachment 2. Agency FMFIA Assurance Statement	13
Attachment 3. Agency Financial Statements and Notes	14



Memorandum

Date: November 13, 2019

Subject: INFORMATION: Independent Auditor's Report on the Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2019 and 2018 | Report No. FI2020008

From: Louis C. King *Louis C. King*
Assistant Inspector General for Financial and
Information Technology Audits

To: Saint Lawrence Seaway Development Corporation Administrator

In our audit of the fiscal years 2019 and 2018 financial statements of the Saint Lawrence Seaway Development Corporation (SLSDC), a U.S. Government Corporation, we found

- that SLSDC's financial statements as of and for the fiscal years ended September 30, 2019, and September 30, 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses¹ in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2019, with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes an emphasis-of-matters paragraph related to a change in accounting policy, other information² included with the financial

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

² The other information consists of SLSDC's Management Discussion and Analysis, which is included in the Agency's Annual Financial Report (see attachment 1).

statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, and contracts; and (4) Agency comments (see the appendix for SLSDC's comments).

We appreciate the cooperation and assistance of SLSDC's representatives. If you have any questions, please contact me at (202) 366-1407, or George Banks, Program Director, at (202) 420-1116.

cc: The Secretary
DOT Audit Liaison, M-1
SLSDC Audit Liaison

Report on the Financial Statements

In accordance with the Government Corporation Control Act of 1945³, we have audited SLSDC's financial statements for fiscal years 2019 and 2018. SLSDC's financial statements comprise the statements of financial position as of September 30, 2019, and September 30, 2018; related statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended; and the related notes to the financial statements.⁴

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

Management's Responsibility

SLSDC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements; and (3) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted Government auditing standards and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (August 2019) require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to other information included with the financial statements.

³ 31 U.S.C. § 9105.

⁴ The financial statements are included in the Agency's Annual Financial Report (see attachment 3).

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

Opinion on Financial Statements

In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2019, and September 30, 2018, and SLSDC's changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

In fiscal year 2019, SLSDC made a change to its accounting policy for spare parts held in support of the Eisenhower and Snell locks, reported as "other assets" in the statements of financial position. Previously, lock spare parts were split into major and minor categories. As of September 30, 2018, the major category included 24 large repairable assets with a cost of approximately \$225,000, which were recorded net of depreciation. The book value for these assets as of September 30, 2018, was approximately \$11,000. The minor category, as of September 30, 2018, included numerous smaller parts tracked as operating materials and supplies, and was booked at its cost of approximately \$745,000. For fiscal year 2019, as discussed in Note 2 to SLSDC's financial statements, the 24 major spare parts were retired and their remaining book values expensed, and they moved into operating material and supplies for tracking. Also, during fiscal year 2019, approximately \$559,000 of additional spare parts associated with SLSDC's new hands-free mooring system were added to the lock spare parts

category. Our opinion on SLSDC's financial statements is not modified with respect to these matters.

Other Matters

Other Information

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

Report on Internal Control Over Financial Reporting

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

Management's Responsibility

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

Auditor's Responsibility

In planning and performing our audit of SLSDC's financial statements as of and for the fiscal year ended September 30, 2019, in accordance with U.S. generally accepted Government auditing standards, we considered SLSDC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on

the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SLSDC's internal control over financial reporting. Accordingly, we do not express an opinion on SLSDC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies⁵ or material weaknesses. We did not consider all internal controls relevant to operating objectives, as broadly established under the Federal Managers' Financial Integrity Act of 1982 (FMFIA)⁶ such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control Over Financial Reporting

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

⁵ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

⁶ Pub. Law No. 97-255. SLSDC is required to provide an FMFIA assurance statement on its internal accounting and administrative control systems (see attachment 2).

weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

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

Report on Compliance with Laws, Regulations, and Contracts

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted Government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to SLSDC. Accordingly, we do not express such an opinion.

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

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

Agency Comments and OIG Response

We provided SLSDC with a draft of our report on November 11, 2019, and received SLSDC's response dated November 13, 2019, which is included in the appendix to this report.

SLSDC's response to our report was not subject to the auditing procedures we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Actions Required

No actions are required.

Exhibit A. List of Acronyms

DOT	U.S. Department of Transportation
OIG	Office of Inspector General
OMB	Office of Management and Budget
SLSDC	Saint Lawrence Seaway Development Corporation.

Exhibit B. Major Contributors to This Report

GEORGE BANKS

KEVIN KELLY

ANGIE MOULTRIE CPA

ANH PHAM CPA

AMY BERKS

GEORGE ZIPF

MAKESI ORMOND

SUSAN NEILL

PROGRAM DIRECTOR

PROJECT MANAGER

SENIOR AUDITOR

SENIOR AUDITOR

DEPUTY CHIEF COUNSEL

SENIOR STATISTICIAN

STATISTICIAN

WRITER-EDITOR

Appendix. Agency Response



U.S. Department
Of Transportation

**Saint Lawrence
Seaway Development
Corporation**

Memorandum

Subject: Management's Response to the OIG Audit Report
on the SLSDC's Financial Statements for
Fiscal Year 2019

Date: November 13, 2019

A handwritten signature in blue ink, appearing to read "Craig H. Middlebrook", is placed over a light gray rectangular background.

From: Craig H. Middlebrook
Deputy Administrator

To: Calvin L. Scovel III
Inspector General
U.S. Department of Transportation

This memorandum represents the Saint Lawrence Seaway Development Corporation's (SLSDC) official management response to the Office of Inspector General's (OIG) Independent Auditor's Report on Audited Financial Statements for Fiscal Year (FY) 2019, dated November 13, 2019.

We are pleased that the OIG audit team that performed the SLSDC FY 2019 financial audit provided an unmodified audit opinion – the SLSDC's 56th consecutive clean audit opinion dating back to its first financial audit in 1955.

We appreciate the professionalism and cooperation exhibited by the OIG financial audit team during the audit. The combined efforts and teamwork of the OIG and SLSDC staffs were critical to achieving the objectives of the financial audit process. Please refer any questions to Nancy Scott, Director, Financial Management and Administration/CFO.

Attachment 1. Agency Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Authority – The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), a wholly-owned government corporation and an operating administration of the U.S. Department of Transportation (USDOT or Department), is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., maintaining the channels and navigational aids in U.S. waters, and performing vessel traffic control operations in areas of the St. Lawrence River and Lake Ontario. In addition, the Corporation performs economic and trade development activities designed to enhance Great Lakes St. Lawrence Seaway System utilization.

The SLSDC directly interacts with numerous U.S. and Canadian government agencies and private industry to carry out its mission. The Corporation coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day waterway and lock operations, traffic management, navigation aids, safety, environmental programs, operation dates and trade development programs. The unique binational nature of the Seaway System requires close coordination between the two Seaway Corporations.

The St. Lawrence Seaway directly serves the eight-state, two-province region, which represents an economic output of \$6 trillion annually. Maritime commerce on the Great Lakes Seaway System annually sustains nearly 238,000 U.S. and Canadian jobs, \$28 billion in transportation-related business revenue, \$14 billion in personal income and local consumption expenditures, \$8 billion in local purchases, and \$7 billion in federal, state/provincial, and local taxes. The binational waterway also provides approximately \$4 billion in annual transportation cost savings compared to competing rail and highway routes.

The Corporation's operational staff and facilities are in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell). The SLSDC's policy headquarters is in Washington, D.C.

Mission Statement – The SLSDC operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development focused on driving economic activity for the Great Lakes St. Lawrence Seaway System. The Corporation's mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian SLSMC.

Vision Statement – The SLSDC will be a model federal agency, leading the Great Lakes Seaway System as the safest and most efficient, competitive, technologically advanced, and environmentally responsible marine transportation system in the world.

Core Organizational Values – Service // Leadership // Stewardship // Dependability // Commitment

MANAGEMENT DISCUSSION AND ANALYSIS
Financial Highlights for Fiscal Year 2019

Each year, the SLSDC reports its financial position and results of operations, pursuant to the requirements of the Chief Financial Officers Act of 1990.

Corporation Financing

Until 1987, the Corporation was a self-sustaining entity and financed its operations and investments in plant and equipment by charging tolls to commercial users of the two U.S. Seaway locks. Toll rates were established jointly with and collected by The St. Lawrence Seaway Authority (now known as the SLSMC), with the U.S. share remitted to the SLSDC. With the enactment of the Water Resources Development Act of 1986, P.L. 99-662, which created the Harbor Maintenance Trust Fund (HMTF), the SLSDC became an appropriated federal agency. Although the U.S. portion of Seaway tolls was still collected, the Act required the U.S. Treasury to rebate the U.S. toll collections to users. Subsequent legislation, effective October 1, 1994, waived the billing and collection process of the U.S. tolls. However, the SLSDC still recognizes the requirement under the 1959 Tariff of Tolls agreement between Canada and need for the U.S. to negotiate Seaway toll levels with the SLSMC.

Selected Financial Indicators *				
<i>(in thousands of dollars)</i>				
For the Fiscal Years Ended September 30	2019	2018	Change	
			\$	%
Operating Revenues	18,333	25,952	(7,619)	(29)
Appropriations expended	17,638	25,366	(7,728)	(30)
Other	695	586	109	19
Operating Expenses	19,520	19,975	(455)	(2)
Personnel services and benefits	14,330	14,600	(270)	(2)
Other	5,190	5,375	(185)	(3)
Imputed Financing and Expenses				
Imputed financing	1,037	947	90	10
Imputed expenses	1,037	947	90	10
Total Assets	216,280	208,601	7,679	4
Time Deposits in Minority Banks	11,218	10,946	272	2
Short-term	9,098	8,248	850	10
Long-term	2,120	2,698	(578)	(21)
Interest Income from Minority Banks	188	119	69	58

* Rounding may affect the addition of rows and columns in the table.

Operating Revenues

Operating revenues, excluding imputed financing, totaled \$18 million in Fiscal Year (FY) 2019, a \$7.6 million decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, decreased \$7.7 million and other revenues increased \$109,000.

Operating Expenses

Overall operating expenses of \$20 million, excluding depreciation, imputed expenses and workers' compensation benefits, decreased by \$455,000. Personnel services and benefits decreased \$270,000 and other costs decreased \$185,000. Personnel services and benefits represented 73 percent of the Corporation's operating expenses in FY 2019.

Other costs of \$5.2 million included: \$3.2 million for other contractual services; \$1.3 million for supplies and materials; \$235,000 for equipment not capitalized; \$190,000 for rent, communications, and utilities; \$179,000 for travel and transportation of persons and things; and \$17,000 for printing and reproduction.

The SLSDC employed 134 people on September 30, 2019, including one temporary and one term employee.

Imputed Financing and Expenses

Effective in 1997, the SLSDC was required to recognize and record the cost of pension and post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as an expense paid by another entity, OPM, offset by an imputed financing source to the receiving entity, the Corporation.

Total Assets

The SLSDC's financial position continues to remain sound with total assets of \$216 million. Plant, property, and equipment are valued at \$163 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the SLSDC is time deposits in minority banks, totaling \$11.2 million at year-end, an increase of \$272,000. An increased investment level with higher interest rates led to a 58 percent increase in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.

Unobligated Balance

The SLSDC had an unobligated balance on September 30, 2019 of \$36.7 million, comprised of \$3.2 million of unused borrowing authority, \$19.2 million of Asset Renewal Program (ARP) carryover balances from the FY 2018 and FY 2019 appropriations, and \$14.3 million in financial reserves. The reserve is maintained to finance emergency or extraordinary expenditures to ensure

safe and uninterrupted use of the St. Lawrence Seaway, a policy affirmed by the USDOT, Office of Management and Budget, and the U.S. Congress in Appropriation Committee reports. The funds on deposit in minority banks were principally built up from toll income in excess of cash outlays prior to April 1, 1987, when the Corporation was a self-sustaining entity, and are invested in insured deposits consistent with Executive Order 11625 (October 13, 1971).

SLSDC's Asset Renewal Program (ARP)

The SLSDC's Asset Renewal Program (ARP) addresses the long-term capital asset renewal needs of the U.S. Seaway infrastructure. The start of the ARP in 2009 represented the first time in the SLSDC's 50-year history that a comprehensive effort had been undertaken to modernize the Seaway infrastructure, including rehabilitation of and improvements to the U.S.-operated locks, the navigation channels, the Seaway International Bridge, and other Corporation facilities and assets located in Upstate New York.

In FY 2019, the SLSDC obligated \$8.6 million on 24 ARP projects and expended \$19.2 million including: \$11.8 million to replace SLSDC's tugboat *ROBINSON BAY*; \$4.1 million to install hands-free mooring system technology at Snell Lock; \$1.5 million to upgrade and replace SLSDC's paving and drainage infrastructure; \$1 million to replace Corporation equipment; \$715,000 to upgrade and replace ship arrestor machinery at both locks; \$667,000 for concrete rehabilitation at both locks; and \$660,000 to install ice flushing system technology at Snell Lock.

The completion of ARP projects will extend the life of the U.S. Seaway infrastructure and reduce the risk of system delays to commercial navigation caused by lock equipment malfunction. In addition, several ARP projects will involve the implementation of new and improved technologies for the operation of the Seaway infrastructure, resulting in reduced maintenance needs and operating costs to Seaway users. To date, the SLSDC has obligated \$161 million on 55 separate projects.

Details on ARP projects with FY 2019 expenditures:

ARP Project No. 9: Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles and Shop Equipment – Empire Crane LLC, Syracuse, N.Y., was awarded a contract to deliver a 45-ton all-terrain hydraulic crane to replace an existing 50-ton crane. Several work trucks and cargo vans were purchased through Government Services Administration (GSA) Auto Choice to replace existing work vehicles. Phillips Corporation, Hanover, Md., was awarded a contract to supply a new computer numerical control (CNC) mill machine and lathe to consolidate and replace existing tools in the machine shop.

ARP Project No. 14: Corporation Facilities – Replace Paving and Drainage Infrastructure – JE Sheehan Contracting Corp., Potsdam, N.Y., was awarded a contract to replace pavement areas at Eisenhower Lock to include the south side parking area, north side lock wall, and upstream north side approach wall. The work includes installing new subgrade materials and asphalt pavement and is scheduled to be completed in November 2019.

ARP Project No. 12: Corporation Equipment – Upgrade/Replace Floating Plant – Construction on the new ice-class tugboat, to be named *SEAWAY GUARDIAN*, continues at Gulf Island Shipyards, Houma, La. Construction has been delayed due to the complexity of the project. The vessel has been launched and fitting out of the vessel continues with dock trials to begin late 2019 and sea trials to begin January 2020. The vessel is scheduled to be delivered to the SLSDC in the spring of 2020.

ARP Project No. 23: Both Locks – Install Hands Free Mooring (HFM) System – Tioga Construction Company, Inc, Herkimer, N.Y., completed the second phase of slot construction and railing installation work during the 2019 winter shutdown period. Dow Electric, Malone, N.Y., was awarded a contract to install and commission the HFM units for Snell Lock during the 2019 navigation season. The HFM system at Snell Lock was made operational in June 2019.

ARP Project No. 29: Eisenhower Lock – Walls, Sills and Culverts – Rehabilitate Concrete – Shotcrete Montana, Billings, Mont., completed the dry-mix shotcrete repairs for the four, culvert valve vertical recesses at Eisenhower Lock during the 2019 winter shutdown period. Patterson-Stevens, Tonawanda, N.Y., was awarded a contract to complete the dry-mix shotcrete repairs for the interior concrete surfaces of the north filling and emptying culvert and the upstream culvert valve vertical recesses at Snell Lock during the 2020 winter shutdown period.

ARP Project No. 41: Snell Lock – Install Ice Flushing System Technologies – Hohl Industrial Services Inc., Tonawanda, N.Y., was awarded a contract modification to purchase knife gate valves for the redesigned pipe transition sections needed to retrofit the ice flushing system at Snell Lock. Four of the 28 valves are scheduled to be installed with one prototype pipe transition section in December 2019 to field test and verify the system redesign.

ARP Project No. 44: Both Locks – Ship Arrestor Machinery – Upgrade/Replace – Bosch Rexroth Corp., Bethlehem, Pa., was awarded a contract to supply and commission new hydraulic power units and hydraulic cylinders for the two sets (four sets total) of ship arrestor booms and locking pins located at Eisenhower and Snell Locks. The machinery is scheduled to be delivered to the SLSDC for installation during the 2020 winter shutdown period.

Operational Initiatives

SLSDC, Canadian SLSMC Safely Manage Seaway Commercial Navigation During High Water Levels

During the St. Lawrence Seaway's 2019 navigation season, the water levels on Lake Ontario and the St. Lawrence River rose above record highs due to record inflows from Lake Erie and persistent precipitation around Lake Ontario in May and June. Widespread flooding occurred in Montreal and along the shores of Lake Ontario. In response to these extraordinary water and weather events, the International Lake Ontario-St. Lawrence River Board (Board) increased outflows to provide relief to the shoreline property owners.

On June 13, the Board increased the outflow rate from a typical level of approximately 8,000 cubic meters per second (cms) to 10,400 cms, the highest rate that still allows for safe commercial navigation. The SLSDC and the Canadian St. Lawrence Seaway Management Corporation (SLSMC) implemented several significant operational measures and transit requirements for ships in order to mitigate the impacts of the high water velocities and ensure continued safe navigation in the St. Lawrence Seaway.

Operational safety measures that were instituted include: restrictions for vessels transiting the Seaway; a draft reduction for upbound vessels; reduced speed limits in sections of the St. Lawrence River; a prohibition on meeting or passing of vessels during the high flow conditions in certain areas; and directions to operate at the lowest safe speeds to minimize vessel wakes, particularly when navigating close to shore. In addition, tugs were positioned at the Canadian Iroquois and Beauharnois Locks by the SLSMC to assist vessels entering those locks.

With water levels receding in July-September 2019, the SLSDC and SLSMC continued to work closely with the Board and the International Joint Commission to determine the most appropriate and effective approach going forward. Given the highly dynamic, interconnected, and competitive international transportation system of which the St. Lawrence Seaway is a part, the ability to sustain safe commercial navigation during these challenging conditions is paramount to preserving the reliability and overall competitiveness of the binational waterway.

SLSDC Hands-Free Mooring System Operational at Both U.S. Seaway Locks

On June 6, 2019, Hands Free Mooring (HFM) technology was fully operational at St. Lawrence Seaway U.S. locks in Massena, N.Y., with the commissioning of HFM technology at Snell Lock. On September 19, 2018, the SLSDC completed commissioning of the HFM technology at its U.S. Eisenhower Lock.

The Seaway's HFM project is the first use of this technology for an inland waterway to move commercial vessels through a lock system. The new technology allows commercial ships to transit safely and efficiently without the use of mooring lines while also enhancing workplace safety and improving operational efficiency.

This technology had been used previously to secure ships to docks, but this is the first time it has been employed to secure ships through a lock transit. The HFM system uses six vacuum pads, each of which provides up to 20 tons of holding force, mounted on vertical rails in slots in the lock chamber wall to secure the ship during the lockage. The three units, each having two vacuum pads, secure a ship as it is raised or lowered while keeping it at a fixed distance from the lock wall.

The Canadian St. Lawrence Seaway Management Corporation (SLSMC) began testing the HFM technology in 2007 for potential use to replace the traditional practice of manually securing commercial vessels within the Seaway locks with mooring lines. In 2015, the application of HFM technology at the Seaway's locks was recognized by the Organization for Economic Cooperation and Development (OECD) with its "Promising Innovation in Transport Award". Testing by the SLSMC led to a fourth-generation design, which are the HFM units the SLSDC has installed at Eisenhower and Snell Locks. The SLSMC began full operations of the HFM at their Seaway locks during the 2017 navigation season.

Now fully implemented at the U.S. and Canadian Seaway locks, the HFM technology will produce several significant benefits involving improved workplace safety, reduced carrier operating costs, lower emissions, transit efficiencies, and increased system competitiveness.

FY 2019 Construction Update on the SLSDC's New Ice-Class Tugboat

As part of its Asset Renewal Program (ARP), the SLSDC funded the construction of a new ice-class tugboat to perform its icebreaking, vessel assistance, and buoy commissioning and decommissioning responsibilities. The current SLSDC tugboat, *ROBINSON BAY*, was built in 1958. The name *SEAWAY GUARDIAN* was selected for the new tug from a list of suggestions submitted by SLSDC employees. The tug name reflects the unique and significant role played by the SLSDC in supporting and protecting the Great Lakes St. Lawrence Seaway System.

In September 2017, the SLSDC awarded a small business set-aside contract for \$24 million to Gulf Island Shipyards, of Houma, La., for construction of the new tugboat, which began in 2018, with the keel laid on June 26, 2018, and the vessel launched on September 12, 2019. Throughout FY 2019, the construction work on the *SEAWAY GUARDIAN* continued and plans are to perform sea trials in late 2019. The new tug is expected to be delivered to the SLSDC's Massena facilities in the spring of 2020.

The new *SEAWAY GUARDIAN* tugboat will further enhance the SLSDC's ability to quickly and effectively respond to emergency operational incidents on the St. Lawrence Seaway. The new tug was designed to break up to 36 inches of ice while maintaining a speed of 3 knots. It will also possess enhanced ship firefighting capabilities and a command center onboard to improve communication and coordination during any emergency response.

In addition, the new tug will achieve greater operational and cost-savings efficiencies, especially for buoy maintenance and retrieval/placement at the end and start of each navigation season. Unlike the *ROBINSON BAY*, the new tug will be equipped with a deck-mounted crane and sufficient deck space to pick and/or deploy up to three full-size buoys without the use of the buoy-tending barge. Finally, the new tugboat will produce lower emissions than the current boat.

U.S./Canadian Federal Report Highlights Continued Effectiveness of the Great Lakes Seaway System Ballast Water Inspection Program

In January 2019, a new report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2018 navigation season. This was evident in both the number of ballast tank inspections of oceangoing commercial ships entering the Great Lakes St. Lawrence Seaway System from outside U.S. or Canadian waters, as well as the extent of compliance with ballast water management requirements.

The report was prepared by the Great Lakes Seaway Ballast Water Working Group (BWWG), which includes representatives of the SLSDC, SLSMC, the USCG's Ninth District, and Transport Canada. The group coordinates U.S. and Canadian enforcement and compliance efforts to reduce the introduction of aquatic invasive species in the Great Lakes Seaway System via ships' ballast water.

The *2018 Summary of Great Lakes Seaway Ballast Water Working Group* examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. During 2018, 100 percent of the ships bound for the Great Lakes from outside the Exclusive Economic Zone received a ballast tank exam prior to entering the St. Lawrence Seaway for the ninth consecutive year.

In total, 9,343 ballast tanks were assessed during 498 inbound ocean vessel transits, 993 more tanks than in 2017. Moreover, the report found that 98.2 percent of all ships were compliant with ballast water management requirements. During the 2018 season, 166 Letters of Retention were issued for non-compliant tanks. Ships with non-compliant ballast tanks were required to take one of several options: (1) retain the ballast water and residuals on board, (2) treat the ballast water in an environmentally sound and approved manner, or (3) return to sea to conduct a ballast water exchange. BWWG verification efforts indicated that there was no non-compliant ballast water discharged in the Great Lakes Seaway System.

The effectiveness of the BWWG and the Seaway's ballast water inspection program has been publicly credited as a key factor in preventing the discovery of establishment of any new species in the Great Lakes Seaway System since 2006 – the longest such period of non-detection on record.

SLSDC Maintains 100 Percent Inspections of Foreign Vessels Entering the St. Lawrence Seaway

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. The inspection focuses on safety and environmental protection issues and occurs in lower Quebec ports, before the vessel enters the Seaway and U.S. waters. The SLSDC and the U.S. Coast Guard (USCG) signed a Memorandum of Understanding (MOU) in March 1997 to develop this program of coordinated vessel inspection and associated enforcement activities. This MOU was also developed in conjunction with the Canadian SLSMC and Transport Canada and continues to guide Seaway maritime policies and procedures. The ESI program expedites the safe transit of shipping through the Great Lakes St. Lawrence Seaway System, while maintaining strict environmental standards.

ESI inspections are jointly performed by SLSDC and SLSMC marine inspectors. Each inspection covers both Seaway-specific fittings as well as port state control items identified by the USCG and Transport Canada as required for Great Lakes-Seaway vessel transits. In the event major deficiencies are identified, Transport Canada and the USCG are notified and the vessel is held before entering the St. Lawrence Seaway until all deficiencies are cleared.

The proactive approach and continued improvement of the inspection program has been successful in reducing the number and frequency of incidents both on the St. Lawrence River and in and around the lock facilities. In addition, the inspection program has eliminated the practice of duplicative inspections, allowing for a more seamless and efficient transit of the Seaway.

The SLSDC's goal of performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2018 navigation season, with 238 inspections conducted by Corporation personnel. As of September 30, 2019, 221 vessel inspections had been completed during the 2019 navigation season.

SLSDC Operations and Marine Teams Participate in St. Lawrence River Emergency Exercise

The SLSDC maintains an Emergency Response Plan that enhances the Corporation's ability to respond to any vessel incident on the St. Lawrence River. The SLSDC works closely with local, tribal, state, and federal agencies to prepare for a quick and safe response to mitigate the impact of an accident or spill on the St. Lawrence Seaway. Annual training and drills are practiced ensuring resources are adequate for an effective response. Most training and drills include the participation of federal, state, and local response agencies and environmental groups. Since 1992, the SLSDC has participated in and/or hosted 39 annual emergency exercises.

On August 20-21, 2019, the SLSDC participated in a two-day, full-scale emergency response exercise in Alexandria Bay and Clayton, N.Y., that simulated an oil spill on the St. Lawrence River requiring the deployment of oil boom. The respective exercise involved representatives from U.S. and Canadian Federal, State, and local response agencies, including the SLSDC's Marine Division, U.S. Coast Guard, Canadian Coast Guard, Transport Canada, St. Regis Mohawk Tribe, New York State Department of Environmental Conservation, New York State Police, Environmental Protection Agency, U.S. Customs and Border Protection, and the U.S. Department of Homeland Security.

SLSDC Continues to Support Binational "Green Marine" Program; Achieves High Level of Environmental Performance

In FY 2019, the SLSDC continued to financially support and participate in the U.S.-Canadian "Green Marine" initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing several key environmental issues.

The objective of the Green Marine program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and to develop a greater awareness of the maritime industry's activities, benefits, and challenges. To accomplish this, Green Marine activities are directed towards strengthening the industry's environmental standards and performance through a process of continuous improvement. The program focuses on helping the maritime industry represent itself uniformly, strengthening industry involvement in regulatory processes, and improving regulatory outcomes.

All Green Marine participants must complete a yearly self-evaluation to demonstrate their environmental performance based on numerous criteria and undergo an independent third-party verification every two years to confirm the results and provide input and guidance on reaching the highest level. The performance indicators range on a scale from 1 to 5, with 1 representing regulatory compliance and 5 reflecting leadership and excellence.

For the 2018 rating period, the SLSDC and SLSMC had their results published as a single entry by Green Marine to reflect the binational nature of the Seaway and the collaborative work by both entities in pursuing environmental excellence. The SLSDC/SLSMC scored a 4.1 for Greenhouse Gases and Air Pollutants, Community Impacts, and Waste Management, and earned a perfect score of 5.0 for Environmental Leadership and Spill Prevention.

Trade and Economic Development Initiatives

SLSDC Co-Leads Great Lakes Stakeholders Representation at Breakbulk Europe Conference; Participates at Breakbulk Americas Conference

The SLSDC and SLSMC co-led a binational delegation of Great Lakes Seaway System stakeholders at the annual Breakbulk Europe Conference and Exhibition from May 21-23, 2019, in Bremen, Germany. The binational delegation collaborated to jointly promote shipping and to identify new and important trade opportunities throughout the Great Lakes Seaway System. Over 10,000 participants attended Breakbulk Europe 2019, including more than 500 international exhibitors, sponsors, and industry experts. Breakbulk and project cargo represents the fastest growing cargo sector for Great Lakes Seaway commercial maritime traffic.

In addition, the SLSDC was one of several U.S. and Canadian Great Lakes Seaway System stakeholders represented at the annual Breakbulk Americas Exhibition and Conference in Houston, Texas, October 2-4, 2018. Conference organizers announced that 4,700 attendees from around the world gathered in Houston for the three-day event and represented ocean carriers, freight forwarders, ports/terminals; logistics providers; road, rail, barge and air transportation entities; export packers; and equipment companies.

Eight U.S. Ports Earn SLSDC's Robert J. Lewis Pacesetter Award for Increased International Trade in 2018

In FY 2019, the SLSDC presented eight U.S. Great Lakes Seaway System ports with the 27th annual Robert J. Lewis Pacesetter Award for registering increases in international cargo tonnage shipped through their ports during the 2018 navigation season compared to 2017.

The eight ports that won the Pacesetter Award for 2018 were the Duluth Seaway Port Authority (Minn.), the Erie-Western Pennsylvania Port Authority (Pa.), Port Milwaukee (Wis.), the Port of Monroe (Mich.), the Port of Muskegon (Mich.), the Ogdensburg Bridge and Port Authority (N.Y.), the Port of Oswego (N.Y.), and the Toledo-Lucas County Port Authority (Ohio).

Established in 1992, the SLSDC Pacesetter Award annually recognizes the economic development achievements of those U.S. Great Lakes Seaway System ports that increase international tonnage shipped through the St. Lawrence Seaway in comparison to the previous year. Over that time, the SLSDC has distributed 147 Pacesetter Awards to 15 different U.S. Great Lakes Seaway System ports.

SLSDC Co-Sponsors Annual Highway H₂O Conference

The SLSDC co-sponsored and participated in the 14th Annual Highway H₂O Conference in Toronto, Ont., November 13-15, 2018. Conference speakers shared insights on economic activities and cargo trends, infrastructure developments that capture business opportunities, and innovation throughout the global maritime industry.

The theme of the conference was “Advancement through Technology and Innovation.” The annual Highway H₂O Conference is designed by Great Lakes Seaway System stakeholders and is dedicated to growing business throughout the binational waterway system. Attendees provided positive feedback that the conference remains an excellent opportunity for networking and for understanding current trade dynamics across the Great Lakes Seaway System.

SLSDC Participates at Annual Seatrade Cruise Global Conference and Exhibition

In coordination with the Great Lakes Cruising Coalition, the SLSDC and several other Great Lakes Seaway System stakeholders participated in the annual Seatrade Cruise Global Conference and Exhibition, April 8-11, 2019, in Miami, Fla. The goal of attending and exhibiting at the conference was to market and promote the Seaway System to cruise ship owners and operators. Each year, Seatrade Cruise Global draws more than 11,000 registered attendees and over 700 exhibiting companies from 113 countries to become the epicenter of the cruise industry.

The Great Lakes Seaway System booth was prominently displayed and delegation members were approached by multiple cruise ship owners, operators, charterers, and influencers with specific initiatives to bring added cruise inventory into the Great Lakes. Visitors to the information booth included cruise ship owners, operators, and travel agents. There was significant interest in the current Great Lakes Seaway System itineraries for the cruise ships *Pearl Mist*, *Grande Caribe*, *Grande Mariner*, *Victory I*, *Victory II*, *Hamburg*, *Canadian Empress*, and the newest ship to the Great Lakes cruising fleet, *Le Champlain*.

SLSDC Co-Hosts Roundtable Event on Great Lakes Seaway System Cruising

On July 10, 2019, the SLSDC, along with the U.S. Customs and Border Protection (CBP), the American Great Lakes Ports Association (AGLPA), and the Conference of Great Lakes and St. Lawrence Governors and Premiers (CGLSLGP) hosted a roundtable discussion in Chicago, Ill., on cruise ship clearance procedures into U.S. Great Lakes ports of entry for 2019 and beyond.

The meeting provided industry leaders with the opportunity to discuss current cruise ship activity for 2019, future growth, and new technology and facility requirements for clearing passengers. The meeting kicked off with CBP providing details on the recently updated “Cruise Ship Passenger Processing Standard Operating Procedure” (SOP), and for the first time ever, the Great Lakes now has a dedicated section in the procedures. Also discussed was CBP’s Travel Verification Service — a cloud-based facial biometric matching service that enables safe, secure and fast identity verification.

In total, 39 stakeholders attended the meeting, including industry representatives from Great Lakes ports, cruise lines, and agents for several cruise companies. Additionally, CBP was represented by officials from its headquarters in Washington, D.C., as well as three field offices (Buffalo, Chicago, and Detroit).

SLSDC and SLSMC Host Annual Stakeholder Appreciation Reception

In conjunction with the industry events surrounding the annual Montreal Marine Club dinner, the SLSDC and SLSMC co-sponsored its annual trade promotion and stakeholders' appreciation reception in Montreal, Que., December 6, 2018. This event allows the Seaway Corporations to promote ongoing and future marketing efforts designed to raise the profile of the System and to increase tonnage and vessel activity. This event is also an opportunity to thank stakeholders for their continued support of the Great Lakes Seaway System. This year's reception was well-attended with over 200 stakeholders.

Management Initiatives

U.S. Transportation Secretary Elaine L. Chao Commemorates Seaway's 60th Anniversary; Announces \$6 million for New Eisenhower Lock Visitors' Center

On September 24, 2019, U.S. Transportation Secretary Elaine L. Chao marked the 60th anniversary of the St. Lawrence Seaway at a ceremony at the Eisenhower Lock in Massena, New York. Secretary Chao was joined by Transport Canada Director General of Marine Policy Marc-Yves Bertin, Congresswoman Elise Stefanik, U.S. SLSDC Deputy Administrator Craig Middlebrook, Canadian SLSMC President and CEO Terence Bowles, and other U.S. and Canadian government and transportation officials. Additionally, four former SLSDC Administrators were present for the celebration.

“For 60 years, the St. Lawrence Seaway has been a safe and reliable gateway for global commerce, further demonstrating our nation’s strong and strategic partnership with Canada,” said Secretary Elaine L. Chao.

At the event, Secretary Chao and Congresswoman Stefanik announced \$6 million in funding for the SLSDC to construct a new Visitors' Center at the U.S. Eisenhower Lock. This new center will welcome the tens of thousands of people from around the world who come to watch ships transit the lock each year, and serve as a cornerstone for tourism in the North Country region of New York.

The binational waterway was officially opened in 1959 by Queen Elizabeth II and President Eisenhower. It has been proclaimed as one of the 10 most outstanding engineering achievements of the past century. Since its inception, nearly 3 billion tons of cargo, valued at over \$450 billion, have been transported via the Seaway.

SLSDC Administrator's Awards Ceremony Recognizes Employees Exemplifying Organizational Core Values

The second annual SLSDC Administrator's Awards Ceremony was held on May 18, 2019, in Massena, N.Y., to recognize employees who have exemplified the organization's core values: Service, Leadership, Stewardship, Dependability, and Commitment. Deputy Administrator Craig Middlebrook and Associate Administrator Thomas Lavigne made remarks and presented plaques and certificates to SLSDC employees for their notable achievements in leadership, commitment to excellence, and teamwork.

SLSDC Achieves ISO 9001:2015 Quality Management System Recertification

In August 2019, the SLSDC successfully completed a surveillance audit of its International Standards Organization (ISO) 9001:2015 certified quality management system, conducted by Lloyds Register of Quality Assurance, and received recertification.

The 9001:2015 standard includes greater emphasis on risk management and is based on several quality management principles including a strong customer focus, the motivation and support of top management, the process approach, and continual improvement. Maintaining the ISO certification has kept agency officials focused on finding better ways of operating the waterway and on recognizing how agency initiatives and decisions affect its internal and external customers. Other benefits of the SLSDC's ISO certification include improved communications within the organization, redefined business processes that are clearly understood by employees, and integrated performance measurements and objectives with the organization's mission.

In 1998, the SLSDC began the process of measuring the success of its program by certifying its operations, maintenance, and administration business practices through ISO. The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based organization.

SLSDC Employee Receives USDOT Secretarial Award

On November 14, 2018, U.S. Secretary of Transportation Elaine L. Chao honored an SLSDC employee from the Massena office at the 51st Annual Department of Transportation Secretary's Awards Ceremony in Washington, D.C. Secretary Chao honored SLSDC's Chief of the Maintenance Division Jonathan Chapman with a Meritorious Achievement Award for the dedication and leadership he displayed to ensure the safety and reliability of the SLSDC's lock infrastructure and facilities. Under Chapman's leadership, the SLSDC sustained a 99.9 percent U.S. lock availability metric for the 2017 Seaway navigation season.

SLSDC Participates in Great Lakes Seaway Partnership Capitol Day Events in Indianapolis, Ind.

The SLSDC, as a member of the Great Lakes Seaway Partnership (Partnership), participated in Capitol Day events in Indianapolis, Ind., in December 2018. On December 12, the SLSDC and Partnership members met with Indiana Governor Eric Holcomb to talk about the importance of commercial maritime navigation to the state of Indiana, specifically the economic, environmental, and safety benefits of shipping.

The Partnership's Capitol Day events are intended to educate state officials about the Great Lakes St. Lawrence Seaway System and to inform state policymakers on the importance of the binational waterway to the state economy. The Indiana event was the fifth state Capitol Day sponsored by the Partnership. Previous events were held in Indianapolis, Ind. (2015), Madison, Wis. (2016), Columbus, Ohio (2017), and Lansing, Mich. (2017).

The Partnership, created in June 2015, brings together leading U.S. and Canadian maritime organizations, including the SLSDC, working to enhance public understanding of the benefits of commercial shipping in the Great Lakes Seaway region of North America. The organization manages an education-focused communications program, sponsors research, and works closely with media, policymakers, community groups, allied industries, environmental stakeholders, and the public to highlight the positive attributes of marine transportation.

SLSDC FY 2019 Key Performance Measures and Results

Enhanced Seaway Inspections — “Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Que., outside of U.S. waters, each navigation season.” The goal was achieved during the 2018 season, with 238 vessel inspections conducted by SLSDC personnel. In 2019, through September 30, 221 vessel inspections had been completed.

System Reliability — “Ensure the reliability of the U.S. portion of the Seaway, including the U.S. locks and related navigational facilities, during each navigation season.” The goal each year is 99 percent system reliability. System reliability during the 2019 navigation season, through September 30, was 99.4 percent. Final FY 2019 system reliability was 99.3 percent.

Lock Availability — “Minimize vessel delays due to lock equipment failure or malfunction.” The goal each year is 99 percent lock availability. Lock availability during the 2019 season, through September 30, was 99.89 percent. Final FY 2019 lock-related delays totaled 7 hours, 21 minutes, which produced a 99.89 percent lock availability rate.

Administrative Expenses — “Reduce the administrative overhead expense ratio of total operating expenses, excluding ARP projects, depreciation, and imputed expenses, to 23 percent or lower.” The administrative expense ratio goal was met in FY 2019 at 22 percent.

Financial Reserve Balance — “Maintain/increase the financial reserve account to ensure contingency funding for catastrophic emergencies and funding for critical capital and extraordinary maintenance projects.” The goal each year is to maintain a minimum year-end balance of \$10 million. The financial reserve goal was met in FY 2019 with a year-end balance of \$14.3 million.

Attachment 2. Agency FMFIA Assurance Statement



U.S. Department
Of Transportation

**Saint Lawrence
Seaway Development
Corporation**

Memorandum

Subject: Federal Managers' Financial Integrity Act
(FMFIA) Assurance Statement

Date: October 17, 2019

From: Craig H. Middlebrook
Deputy Administrator

To: Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Saint Lawrence Seaway Development Corporation (Corporation) is required to provide a statement on internal accounting and administrative control systems consistent with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. An evaluation of the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2019, was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government," issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and

not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness or non-conformance is a specific instance of non-compliance with the Integrity Act. Such weakness would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest. Each material non-conformance in a financial system merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant Congressional oversight committee; prevents the primary agency's financial system from achieving central control over agency financial transactions and resource balances; and/or prevents conformance of financial systems with financial information standards and/or financial system functional standards.

The results of the evaluations described in the second paragraph, assurances given by appropriate Corporation officials, and other information provided indicate that the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2019, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved within the limits described in the preceding paragraph. The evaluation did not disclose any material weaknesses or non-conformances in the internal accounting and administrative control system in FY 2019 and prior years.

Attachment 3. Agency Financial Statements and Notes

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash		
Held by U.S. Treasury	\$ 36,987,159	\$ 40,792,847
Held in banks and on hand	4,858	1,174
Short-term time deposits in minority banks (Note 3)	9,098,000	8,248,000
Accounts receivable (Note 4)	126,786	96,014
Due from SIBC (Note 6)	2,987,682	3,008,562
Operating materials and supplies (Note 2)	429,545	448,429
Other current assets (Note 4)	6,470	90,537
Total current assets	<u>49,640,500</u>	<u>52,685,563</u>
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	<u>2,120,000</u>	<u>2,698,000</u>
Plant, Property and Equipment		
Plant in service (Note 5)	255,689,743	242,651,707
Less: Accumulated depreciation	<u>(128,870,800)</u>	<u>(122,172,000)</u>
Net plant in service	126,818,943	120,479,707
Information Software, net	792,979	926,399
Work in progress	<u>35,459,702</u>	<u>31,055,525</u>
	<u>163,071,624</u>	<u>152,461,631</u>
Other Assets		
Lock spare parts (Note 2)	<u>1,447,554</u>	<u>755,467</u>
Total assets	<u>\$ 216,279,678</u>	<u>\$ 208,600,661</u>

See Notes to Financial Statements

(Continued)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

Liabilities and Equity of the U.S. Government	2019	2018
Current Liabilities		
Accounts payable	\$ 3,693,623	\$ 5,936,971
Accrued annual leave (Note 2)	956,311	860,712
Accrued payroll costs	627,790	526,352
Other Current Liabilities	<u>4,858</u>	<u>1,174</u>
Total current liabilities	<u>5,282,582</u>	<u>7,325,209</u>
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	<u>4,519,412</u>	<u>4,485,771</u>
Total liabilities	<u>9,801,994</u>	<u>11,810,980</u>
Equity of the U.S. Government		
Invested capital (Note 2)	178,436,353	167,694,890
Cumulative results of operations	25,053,649	26,086,229
Cumulative results of SIBC restricted use fund (Note 6)	<u>2,987,682</u>	<u>3,008,562</u>
	<u>206,477,684</u>	<u>196,789,681</u>
Total liabilities and equity of the U.S. Government	<u>\$ 216,279,678</u>	<u>\$ 208,600,661</u>

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES
IN CUMULATIVE RESULTS OF OPERATIONS
For the Years Ended September 30, 2019 and 2018

	2019	2018
Operating Revenues		
Appropriations expended	\$ 17,637,851	\$ 25,366,088
Imputed financing (Note 9)	1,036,693	946,710
Other (Note 7)	695,490	586,003
Total operating revenues	<u>19,370,034</u>	<u>26,898,801</u>
Operating Expenses (Note 8)		
Locks and marine operations	5,479,335	5,901,788
Maintenance and engineering	6,106,109	6,635,273
General and development	3,330,542	3,078,399
Administrative expenses	4,603,985	4,360,014
Depreciation	7,645,686	6,682,305
Imputed expenses (Note 9)	1,036,693	946,710
Worker's compensation benefits (Note 2)	33,641	155,744
Total operating expenses	<u>28,235,991</u>	<u>27,760,233</u>
Operating loss	(8,865,957)	(861,432)
Other Financing Sources		
Interest on deposits in minority banks	187,691	118,505
Transfer from invested capital for depreciation	7,645,686	6,682,305
Total other financing sources	<u>7,833,377</u>	<u>6,800,810</u>
Operating revenues and other financing sources (under) over operating expenses	(1,032,580)	5,939,378
Beginning cumulative results of operations	<u>26,086,229</u>	<u>20,146,851</u>
Ending cumulative results of operations	<u>\$ 25,053,649</u>	<u>\$ 26,086,229</u>
SIBC Restricted Use Fund Activity (Note 6)		
Interest earned	40,556	34,234
Allocation of annual surplus	148,712	127,490
Foreign currency exchange	(67,765)	(113,997)
Total SIBC revenues	<u>121,503</u>	<u>47,727</u>
Bridge repairs	<u>142,383</u>	<u>210,877</u>
SIBC restricted fund (loss) gain	(20,880)	(163,150)
Beginning cumulative results of SIBC restricted use fund	<u>3,008,562</u>	<u>3,171,712</u>
Ending cumulative results of SIBC restricted use fund	<u>\$ 2,987,682</u>	<u>\$ 3,008,562</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Operating revenues and other financing sources (under) over operating expenses	\$ (1,032,580)	\$ 5,939,378
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by (used in) operating activities:		
Depreciation	7,645,686	6,682,305
Transfer from invested capital for depreciation	(7,645,686)	(6,682,305)
Net loss (gain) on property disposals	48,770	34,437
Change in assets and liabilities:		
Accounts receivable	(30,772)	(26,278)
Operating materials and supplies	18,884	(43,461)
Other current assets	84,067	(75,122)
Other assets	(702,653)	20,234
Accounts payable	(2,243,348)	3,516,052
Accrued liabilities	197,037	7,296
Other Current Liabilities	3,684	(4,276)
Actuarial Liabilities (Note 2)	33,641	155,744
Net cash (used in) provided by operating activities	<u>(3,623,270)</u>	<u>9,524,004</u>
Cash flows from investing activities:		
Proceeds from plant, property and equipment disposals	93,266	-
Acquisition of plant, property and equipment	(18,362,149)	(14,633,912)
Net increase in time deposits	<u>(272,000)</u>	<u>(256,000)</u>
Net cash used in investing activities	<u>(18,540,883)</u>	<u>(14,889,912)</u>
Cash flows from financing activities:		
Appropriations for plant, property and equipment	<u>18,362,149</u>	<u>14,633,912</u>
Net (decrease) increase in cash	(3,802,004)	9,268,004
Cash at beginning of year	<u>40,794,021</u>	<u>31,526,017</u>
Cash at end of year	<u>\$ 36,992,017</u>	<u>\$ 40,794,021</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
For the Year Ended September 30, 2019

	----- Budget -----		
	Resources	Obligations	Expenses
Saint Lawrence Seaway Development Corporation Fund	\$ 63,909,647	\$ 27,216,138	\$ 28,235,991
Budget Reconciliation:			
Total expenses			28,235,991
Adjustments			
Add:			
Capital acquisitions			18,362,149
Increase in other assets			702,653
Deduct:			
Depreciation			(7,645,686)
Imputed expenses			(1,036,693)
Decrease in net plant in service, property disposals			(48,770)
Workers' compensation benefits			(33,641)
Decrease in operating materials and supplies			(18,884)
Less reimbursements:			
Trust funds			(36,000,000)
Revenues from non-federal sources			(976,447)
			<u>1,540,672</u>
Accrued expenditures			<u>\$ 1,540,672</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
For the Years Ended September 30, 2019 and 2018

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations	Cumulative Results of SIBC Restricted Use Fund
Balance, September 30, 2017	\$ 159,603,283	\$ -	\$ 20,146,851	\$ 3,171,712
Appropriations expended	-	(25,366,088)	25,366,088	-
Fiscal Year 2018 appropriations	-	40,000,000	-	-
Other financing sources	140,000	-	1,651,218	47,727
Operating expenses, excluding depreciation and imputed expenses	-	-	(19,975,474)	(210,877)
Depreciation expense	-	-	(6,682,305)	-
Imputed expenses	-	-	(946,710)	-
Workers' compensation actuarial	-	-	(155,744)	-
Transfer from invested capital for depreciation	(6,682,305)	-	6,682,305	-
Capital expenditures	<u>14,633,912</u>	<u>(14,633,912)</u>	<u>-</u>	<u>-</u>
Balance, September 30, 2018	167,694,890	-	26,086,229	3,008,562
Appropriations expended	-	(17,637,851)	17,637,851	-
Fiscal Year 2019 appropriations	-	36,000,000	-	-
Other financing sources	25,000	-	1,919,874	121,503
Operating expenses, excluding depreciation and imputed expenses	-	-	(19,519,971)	(142,383)
Depreciation expense	-	-	(7,645,686)	-
Imputed expenses	-	-	(1,036,693)	-
Workers' compensation actuarial	-	-	(33,641)	-
Transfer from invested capital for depreciation	(7,645,686)	-	7,645,686	-
Capital expenditures	<u>18,362,149</u>	<u>(18,362,149)</u>	<u>-</u>	<u>-</u>
Balance, September 30, 2019	<u>\$ 178,436,353</u>	<u>\$ -</u>	<u>\$ 25,053,649</u>	<u>\$ 2,987,682</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 1. The Corporation

The Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned government corporation within the Department of Transportation, was created by the Wiley-Dondero Act of May 13, 1954 (68 Stat. 92, 33 U.S.C. 981), as amended. The Corporation is responsible for the development, seasonal operation and maintenance of the portion of the St. Lawrence Seaway (the "Seaway") between Montreal and Lake Erie, and within the territorial limits of the United States.

Note 2. Summary of Significant Accounting Policies

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation as required by the Chief Financial Officers Act of 1990. They have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles as set forth for Federal Government Corporations, and the Corporation's accounting policies and procedures, which are summarized below. The accounting policies and procedures are consistent with Title 2 of the U.S. General Accounting Office's Policy and Guidance of Federal Agencies.

Operating materials and supplies consist primarily of expendable personal property to be consumed in normal operations and are valued at cost or market with cost being determined using the weighted-average method.

In FY 2018 lock spare parts was separated into two categories of minor and major, with major lock spare parts being those items depreciated and which could be refurbished then returned to stock for future use, while minor lock spare parts are expended when consumed. In FY 2019 all lock spare parts are included and tracked in Operating Materials and Supplies with no depreciation, and continue to be disclosed on the balance sheet under Other Assets. The total cost of lock spare parts at September 30, 2019 was \$1,447,554.

Plant, property and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959, have been allocated to the permanent features of the Seaway. Assets, improvements and betterments costing \$20,000 or more are capitalized when they have an expected useful life of two years or more. Repairs and maintenance costs are expensed. The straight-line method of depreciation is used and is computed on balances in plant in service. The cost of plant retired and the accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 2. Summary of Significant Accounting Policies *(continued)*

Accrued annual leave represents the value of the unused annual leave accrued to employees of the Corporation. The leave is funded and reported as an obligation.

The Corporation funds a program administered by the U.S. Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year (FY) 1994, the actuarial liability of these benefits is recognized and recorded in these financial statements. The liability recorded of \$4,519,412 and \$4,485,771 at September 30, 2019 and 2018, respectively, reflects the actuarial liability as determined by the Department of Labor.

Invested Capital

The Corporation was initially funded by revenue bonds issued by the U.S. Treasury. On December 18, 1982, Congress cancelled the outstanding revenue bonds of \$109,976,000 (P.L. 97-369, 96 Stat. 1782). With cancellation of the debt, the amount was converted to invested capital. Since FY 1987, when the Corporation began receiving annual appropriations from the Harbor Maintenance Trust Fund, capital expenditures and annual depreciation have been recognized in invested capital.

Budget Authority

The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of \$48,523,301 for FY 2019, \$36,000,000 from the Fund (Public Laws 116-6); \$11,873,301 from the Corporation's unobligated balance and \$650,000 from non-federal revenues. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled \$27,216,138 for FY 2019. The Corporation's unobligated balance at September 30, 2019 totaled \$36.7 million including \$3.2 million unused borrowing authority. For FY 2020, the Corporation is currently operating on a Continuing Resolution based on the FY 2019 level of \$36,000,000. In addition, authority to obligate \$650,000 of non-federal revenues has been apportioned by OMB for FY 2020.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 2. Summary of Significant Accounting Policies *(continued)*

Statements of Cash Flows

For purposes of financial reporting, the Corporation considers cash to be cash held in the U.S. Treasury, cash in banks and cash on hand.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3. Time Deposits in Minority Banks

The Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. These deposits consist mainly of the Corporation's unobligated balance, which is retained for emergency situations.

Note 4. Accounts Receivable and Other Current Assets

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables and other current assets as of September 30, 2019 and 2018 are as follows:

	2019	2018
Due from concession contracts	\$ 36,580	\$ 31,959
Other	64,991	49,859
Interest on deposits in minority banks	<u>25,215</u>	<u>14,196</u>
	126,786	96,014
Prepaid Contracts-Non-Federal	0	82,637
Prepaid Contracts-Federal	<u>6,470</u>	<u>7,900</u>
Total	<u><u>\$ 133,256</u></u>	<u><u>\$ 186,551</u></u>

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 5. Plant in Service

Plant in service as of September 30, 2019 and 2018 is as follows:

Plant in Service	Estimated Life (Years)	2019		2018	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	\$ 147,969,348	\$ 61,738,284	\$ 135,253,757	\$ 58,777,175
Channels and canals	95	36,870,221	23,529,701	36,870,221	21,037,251
Buildings, grounds and utilities	50	25,584,025	12,998,011	24,775,599	12,204,433
Permanent operating equipment	5 - 40	21,667,853	12,650,062	22,109,862	12,544,843
Roads and bridges	50	13,913,141	11,528,569	13,913,141	11,220,635
Land rights & relocations	95	5,639,064	3,596,241	5,639,064	3,537,039
Navigation aids	10 - 40	3,178,765	2,829,932	3,222,737	2,850,624
Lands in fee	N/A	867,326	-	867,326	-
Total plant in service		<u>\$ 255,689,743</u>	<u>\$128,870,800</u>	<u>\$ 242,651,707</u>	<u>\$122,172,000</u>

The U.S. portion of the St. Lawrence Seaway was built in the 1950s. In FY 2009, the Corporation began its Asset Renewal Program (ARP) to address the long-term asset renewal needs of the aging U.S. Seaway Infrastructure. The ARP includes various needs for the two U.S. Seaway Locks, the Seaway International Bridge, maintenance dredging, operational systems, and Corporation facilities and equipment. The total amount that has been expended and/or committed (including open obligations) in the program through September 30, 2019 amounted to \$160,584,151.

Plant in Service includes costs of certain features of the South Channel Span of the Seaway International Bridge, which is discussed in Note 6. These features include land rights and relocation costs incurred in removing the old bridges, which were a hindrance to navigation, and in building the superstructure of the South Channel Bridge. The gross amounts of \$3,897,379 in land rights and relocations, and \$4,853,320 in roads and bridges have been depreciated accordingly.

Included in Plant in Service is Internal Use Software with a total cost for these systems at \$1,846,376 and total amortization amounted to \$1,053,397 at September 30, 2019.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 6. Due from the Seaway International Bridge Corporation, Ltd. (SIBC)

The Corporation owns, on behalf of the U.S. Government, 68 percent of the South Channel Span of the Seaway International Bridge operated by the SIBC, a wholly owned subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. To maintain oversight of the SIBC, the Corporation designates four senior Corporation officials to serve on the eight member SIBC Board of Directors. The net annual income from the SIBC, after all operating expenses, is divided equally between the Corporation and The Federal Bridge Corporation Ltd. The Corporation's portion, if any, is held by the SIBC solely to fund structural repair or project costs to the South Channel Span as provided in the Corporation's enabling act (33 U.S.C. 984(a)(12)). Accordingly, SIBC holds, on behalf of the Corporation, cash which is restricted to use on expenses for the South Channel Span as follows:

	<u>2019</u>	<u>2018</u>
Beginning Balance, 10/1	\$ 3,008,562	\$ 3,171,712
Interest Earned	40,556	34,234
Allocation of Annual Surplus	148,712	127,490
Bridge Repairs	(142,383)	(210,877)
Foreign Currency Exchange	(67,765)	(113,997)
Ending Balance, 9/30	<u>\$ 2,987,682</u>	<u>\$ 3,008,562</u>
Amount restricted for future South Channel Span repairs	<u>\$ 2,987,682</u>	<u>\$ 3,008,562</u>

The ending balance is disclosed as an asset, Due from SIBC, and equity, Cumulative results of SIBC restricted use fund. The activity for FY 2019 and FY 2018 is disclosed on the Statements of Operations and Changes in Cumulative Results of Operations. Bridge Repairs for FY 2019 includes \$127,632 of consultant fees for Service Job Order 18-01, Replacement Travelers and \$14,751 for Service Job Order 18-02, Light Replacement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 7. Other Revenues

Other revenues for the years ended September 30, 2019 and 2018 consist of the following:

	2019	2018
Concession operations	\$ 379,600	\$ 352,622
Miscellaneous	83,384	86,128
Pleasure craft/non-commercial tolls	69,590	69,148
Rental of administration building	47,440	46,462
Rebates	23,152	22,719
Payments for damages to locks, net	68,742	8,924
Gain on property disposals	<u>23,582</u>	<u>0</u>
Total	<u>\$ 695,490</u>	<u>\$ 586,003</u>

Payments for damages are reported net of direct materials and direct labor costs. Reimbursements for direct materials and direct labor are recorded as reductions of the related expense accounts.

Note 8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2019 and 2018 are as follows:

	2019	2018
Personnel services and benefits	\$ 14,329,817	\$ 14,600,396
Contractual services	3,193,052	3,598,217
Supplies and materials	1,327,511	1,242,057
Equipment not capitalized	234,606	129,890
Rental, communications and utilities	190,045	156,692
Travel and transportation	178,935	202,495
Loss on property disposals	48,770	34,437
Printing and reproduction	<u>17,235</u>	<u>11,290</u>
Subtotal	19,519,971	19,975,474
Depreciation expense	7,645,686	6,682,305
Imputed expenses	<u>1,036,693</u>	<u>946,710</u>
Total operating expenses	<u>\$ 28,202,350</u>	<u>\$ 27,604,489</u>

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 9. Retirement Plans

Retirement Plans consist of the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). FERS went into effect, pursuant to Public Law 99-335, on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security while employees hired prior to January 1, 1984 elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Corporation automatically contributes 1 percent of pay and matches any employee contributions up to an additional 4 percent of pay. For employees hired since December 31, 1983, the Corporation also contributes the employer's matching share for Social Security.

The Corporation paid contributions to the retirement plans and Social Security for the years ended September 30, 2019 and 2018 as follows:

	2019	2018
Federal Employees Retirement System:		
Automatic contributions	\$ 1,320,573	\$ 1,290,162
Matching contributions	352,569	338,581
Social Security	625,232	617,387
Civil Service Retirement System	49,208	51,609
Total	<u>\$ 2,347,582</u>	<u>\$ 2,297,738</u>

Effective with FY 1997, the Corporation recognizes and records the cost of pensions and other post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as both an expense paid by another entity and an imputed financing source to the receiving entity; therefore, they offset each other with no impact upon the Corporation's net position. The imputed financing and offsetting imputed expense amounts for the years ended September 30, 2019 and 2018 were \$1,036,693 and \$946,710, respectively.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 10. Related Party Transactions

The Corporation receives rental payments for office space at its administration building in Massena, New York. For the years ended September 30, 2019 and 2018, revenue totaled \$44,352 and \$43,443 for space provided to the U.S. Coast Guard.

The Corporation leases office space in Washington, D.C. under the terms of an Intra-agency Agreement (IAA) with the Federal Aviation Administration. Costs for the years ended September 30, 2019 and 2018 of \$475,145 and \$437,055, respectively, are included in the reimbursable agreements listed below.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Reimbursable agreements with federal agencies for FY 2019 and FY 2018 were as follows:

	2019	2018
Department of Interior	\$ 639,468	707,537
Federal Aviation Administration	489,312	\$ 450,702
Federal Highway Administration	27,085	10,205
Department of Commerce	10,313	9,427
Federal Occupational Health	<u>3,150</u>	<u>1,202</u>
Total	<u>\$ 1,169,328</u>	<u>\$ 1,179,073</u>

Accounts payable and accrued payroll benefits at September 30, 2019 and 2018 include \$1,564,699 and \$1,547,518 respectively, of amounts payable to the U.S. Government.

In fiscal years 2019 and 2018, the Corporation accrued costs of \$107,860 and \$107,150, respectively, to the Canadian St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2019 and 2018

Note 11. Contingencies and Commitments

As of September 30, 2019, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2019 and 2018 there were undelivered orders and contracts amounting to \$9,440,396 and \$20,928,997, respectively. For FY 2019, Federal Undelivered Orders total \$368,202 and Non Federal Undelivered Orders were \$9,072,194, with \$6,470 paid and \$9,433,926 unpaid.

The Corporation leases office space in Washington, D.C. under the terms of an IAA with the Federal Aviation Administration which is subject to annual funding obligations.

The Corporation also provides office space to several agencies under various lease agreements. The lease agreements are cancelable.

Note 12. Statement of Budgetary Resources and Actual Expenses

The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF-133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of \$63,909,647 consist of the Corporation's unobligated balance of \$26,693,715 brought forward October 1, 2018, and reimbursements earned of \$36,956,126, and recoveries of prior year's obligations of \$259,806.

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