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# *Office of Inspector General*

# *Audit Report*

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## **QUALITY CONTROL REVIEW OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012**

*Saint Lawrence Seaway Development Corporation*

*Report Number: QC-2014-004*

*Date Issued: November 7, 2013*





# Memorandum

**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION:** Quality Control Review of  
Audited Financial Statements for  
Fiscal Years 2013 and 2012, Saint Lawrence  
Seaway Development Corporation  
Report Number: QC-2014-004

Date: November 7, 2013

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

Reply to  
Attn. of: JA-20

To: Saint Lawrence Seaway Development  
Corporation Administrator

I respectfully submit our report on the quality control review (QCR) of the Saint Lawrence Seaway Development Corporation's (SLSDC) audited financial statements for fiscal years 2013 and 2012.

Chiampou Travis Besaw & Kershner LLP (CTB&K) of Amherst, NY, completed the audit of SLSDC's financial statements as of and for the years ended September 30, 2013, and September 30, 2012, (see Attachment) under contract to SLSDC. The contract and Federal regulations required the audit to be performed in accordance with generally accepted Government auditing standards and Office of Management and Budget's (OMB) Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.<sup>1</sup>

CTB&K concluded that the financial statements present fairly, in all material respects, the SLSDC's financial position as of September 30, 2013, and September 30, 2012, and the respective changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. The report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested.

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<sup>1</sup> OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," (October 21, 2013) superseded OMB Bulletin 07-04. However, fieldwork for the SLSDC audit was completed prior to the issuance of OMB Bulletin 14-02.

We performed a QCR of CTB&K's report and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on SLSDC's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. CTB&K is responsible for its report dated October 18, 2013, and the conclusions expressed in that report. However, our QCR disclosed no instances in which CTB&K did not comply, in all material respects, with generally accepted Government auditing standards. Because CTB&K did not make any recommendations, a response to this report is not required.

We appreciate the cooperation and assistance of SLSDC's representatives and CTB&K. If we can answer any questions or be of any further assistance, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Attachment

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## **INDEPENDENT AUDITORS' REPORT**

To the Administrator of the  
Saint Lawrence Seaway Development Corporation  
Massena, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned U.S. Government corporation, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements," as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Champion Treas Besaw & Keeshan LLP

October 18, 2013

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Administrator of the  
Saint Lawrence Seaway Development Corporation  
Massena, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements," as amended, the financial statements of Saint Lawrence Seaway Development Corporation (the "Corporation"), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 18, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*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 a 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Champion Treas Besaw & Kershner LLP

October 18, 2013

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2013 and 2012**

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash		
Held by U.S. Treasury	\$ 21,385,863	\$ 29,197,027
Held in banks and on hand	1,348	1,371
Short-term time deposits in minority banks (Note 3)	9,182,000	8,212,000
Accounts receivable (Note 4)	110,510	171,521
Inventories (Note 2)	284,113	277,184
Other current assets (Note 4)	28,000	11,440
Total current assets	<u>30,991,834</u>	<u>37,870,543</u>
<b>Long-Term Investments</b>		
Long-term time deposits in minority banks (Note 3)	<u>1,293,000</u>	<u>2,036,000</u>
<b>Plant, Property and Equipment</b>		
Plant in service (Note 5)	194,611,473	186,372,774
Less: Accumulated depreciation	<u>(102,018,708)</u>	<u>(99,600,002)</u>
Net plant in service	92,592,765	86,772,772
Work in progress	<u>19,368,451</u>	<u>3,960,902</u>
	<u>111,961,216</u>	<u>90,733,674</u>
<b>Other Assets</b>		
Lock spare parts (Note 2)	690,266	719,149
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	-	7,440
	<u>690,266</u>	<u>726,589</u>
<b>Deferred Charges</b>		
Worker's compensation benefits (Note 2)	<u>4,814,377</u>	<u>4,587,923</u>
Total assets	<u>\$ 149,750,693</u>	<u>\$ 135,954,729</u>

See Notes to Financial Statements

(Continued)



**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2013 and 2012

<b>Liabilities and Equity of the U.S. Government</b>	2013	2012
<b>Current Liabilities</b>		
Accounts payable	\$ 3,456,966	\$ 2,959,386
Accrued annual leave (Note 2)	886,789	919,841
Accrued payroll costs	<u>765,447</u>	<u>748,706</u>
Total current liabilities	<u>5,109,202</u>	<u>4,627,933</u>
<b>Actuarial Liabilities</b>		
Worker's compensation benefits (Note 2)	<u>4,814,377</u>	<u>4,587,923</u>
Total liabilities	<u>9,923,579</u>	<u>9,215,856</u>
<b>Equity of the U.S. Government</b>		
Invested capital (Note 2)	127,106,161	105,879,033
Cumulative results of operations	<u>12,720,953</u>	<u>20,859,840</u>
	<u>139,827,114</u>	<u>126,738,873</u>
Total liabilities and equity of the U.S. Government	<u>\$ 149,750,693</u>	<u>\$ 135,954,729</u>

*See Notes to Financial Statements*

(Concluded)

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF OPERATIONS AND CHANGES**  
**IN CUMULATIVE RESULTS OF OPERATIONS**  
**For the Years Ended September 30, 2013 and 2012**

	2013	2012
<b>Operating Revenues</b>		
Appropriations expended	\$ 6,408,307	\$ 23,489,530
Imputed financing (Note 9)	914,929	899,133
Other (Note 7)	837,751	860,466
Total operating revenues	<u>8,160,987</u>	<u>25,249,129</u>
<b>Operating Expenses (Note 8)</b>		
Locks and marine operations	3,487,778	3,560,903
Maintenance and engineering	3,954,907	5,571,886
General and development	4,616,404	5,029,825
Administrative expenses	3,407,793	3,678,934
Depreciation	2,936,226	2,811,291
Imputed expenses (Note 9)	914,929	899,133
Total operating expenses	<u>19,318,037</u>	<u>21,551,972</u>
Operating (loss) income	(11,157,050)	3,697,157
<b>Other Financing Sources</b>		
Interest on deposits in minority banks	81,937	118,392
Transfer from non-expenditure funding source	-	495
Transfer from invested capital for depreciation	2,936,226	2,811,291
Total other financing sources	<u>3,018,163</u>	<u>2,930,178</u>
<b>Operating revenues and other financing sources (under) over operating expenses</b>	<b>(8,138,887)</b>	<b>6,627,335</b>
<b>Beginning cumulative results of operations</b>	<u>20,859,840</u>	<u>14,232,505</u>
<b>Ending cumulative results of operations</b>	<u>\$ 12,720,953</u>	<u>\$ 20,859,840</u>

*See Notes to Financial Statements*

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities:</b>		
Operating revenues and other financing sources (under) over operating expenses	\$ (8,138,887)	\$ 6,627,335
Adjustments to reconcile operating revenues and other financing sources (under) over operating expenses to net cash (used in) provided by operating activities:		
Depreciation	2,936,226	2,811,291
Transfer from invested capital for depreciation	(2,936,226)	(2,811,291)
Net (gain) loss on property disposals	(10,996)	1,150
Change in assets and liabilities:		
Accounts receivable	61,011	287,636
Inventories	(6,929)	(3,879)
Other current assets	(16,560)	14,880
Other assets	35,909	(212,979)
Accounts payable	497,580	(2,284,589)
Accrued liabilities	(16,311)	9,207
Net cash (used in) provided by operating activities	<u>(7,595,183)</u>	<u>4,438,761</u>
<b>Cash flows from investing activities:</b>		
Proceeds from plant, property and equipment disposals	10,996	8,027
Acquisition of plant, property and equipment	(24,163,354)	(8,769,470)
Net (increase) decrease in time deposits	<u>(227,000)</u>	<u>466,000</u>
Net cash used in investing activities	<u>(24,379,358)</u>	<u>(8,295,443)</u>
<b>Cash flows from financing activities:</b>		
Appropriations for plant, property and equipment	<u>24,163,354</u>	<u>8,769,470</u>
<b>Net (decrease) increase in cash</b>	<b>(7,811,187)</b>	<b>4,912,788</b>
<b>Cash at beginning of year</b>	<b><u>29,198,398</u></b>	<b><u>24,285,610</u></b>
<b>Cash at end of year</b>	<b><u>\$ 21,387,211</u></b>	<b><u>\$ 29,198,398</u></b>

*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, 2013**

	----- Budget -----		
	Resources	Obligations	Expenses
<b>Saint Lawrence Seaway Development Corporation Fund</b>	\$ 47,995,920	\$ 31,395,063	\$ 19,318,037
<b>Budget Reconciliation:</b>			
<b>Total expenses</b>			19,318,037
Adjustments			
Add:			
Capital acquisitions			24,163,354
Increase in inventories			6,929
Deduct:			
Depreciation			(2,936,226)
Imputed expenses			(914,929)
Decrease in other assets			(35,909)
Less reimbursements:			
Trust funds			(30,571,661)
Revenues from non-federal sources			(919,688)
Transfer in from federal sources			-
			<hr/>
Accrued expenditures			<u>\$ 8,109,907</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, 2013 and 2012**

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
<b>Balance, September 30, 2011</b>	\$ 99,920,854	\$ -	\$ 14,232,505
Appropriations expended	-	(23,489,530)	23,489,530
Fiscal Year 2012 appropriations	-	32,259,000	-
Other financing sources	-	-	1,877,991
Operating expenses, excluding depreciation and imputed expenses	-	-	(17,841,548)
Depreciation expense	-	-	(2,811,291)
Imputed expenses	-	-	(899,133)
Transfer from non-expenditure funding source	-	-	495
Transfer from invested capital for depreciation	(2,811,291)	-	2,811,291
Capital expenditures	<u>8,769,470</u>	<u>(8,769,470)</u>	<u>-</u>
<b>Balance, September 30, 2012</b>	105,879,033	-	20,859,840
Appropriations expended	-	(6,408,307)	6,408,307
Fiscal Year 2013 appropriations	-	30,571,661	-
Other financing sources	-	-	1,834,617
Operating expenses, excluding depreciation and imputed expenses	-	-	(15,466,882)
Depreciation expense	-	-	(2,936,226)
Imputed expenses	-	-	(914,929)
Transfer from invested capital for depreciation	(2,936,226)	-	2,936,226
Capital expenditures	<u>24,163,354</u>	<u>(24,163,354)</u>	<u>-</u>
<b>Balance, September 30, 2013</b>	<u>\$ 127,106,161</u>	<u>\$ -</u>	<u>\$ 12,720,953</u>

*See Notes to Financial Statements*

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**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.

Inventories consist primarily of supplies which are consumed in operations and are valued at the lower of cost or market with cost being determined using the weighted-average method.

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 \$5,000 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.

Lock spare parts consists of inventory items valued at the lower of cost or market with cost being determined using the weighted-average method.

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**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 are recognized and recorded in these financial statements. The liability and deferred charge recorded of \$4,814,377 and \$4,587,923 at September 30, 2013 and 2012, respectively, reflects the actuarial liability as determined by the Department of Labor.

***Seaway Tolls***

The Water Resource Development Act of 1986 (Public Law 99-662) required the Corporation to turn over U.S. Seaway tolls charged on commercial vessels to the Harbor Maintenance Trust Fund (the "Fund"). Annual appropriations from the Fund are used to meet operation and maintenance expenses. The Act further required the U.S. Treasury to rebate the tolls to the shippers from the Fund. Public Law 103-331, dated September 30, 1994, eliminated the requirement to collect and rebate these tolls effective October 1, 1994.

***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 \$31,471,661 for FY 2013, \$32,259,000 from the Fund (Public Laws 112-175 and 113-06) less .2% across the board rescission of \$64,518 and a decrease due to sequestration of \$1,622,821; and \$900,000 from non-federal revenues. FY 2013 funding includes year five of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled \$31,395,063 for FY 2013. The Corporation's unobligated balance at September 30, 2013 totaled \$16.6 million including \$3.2 million unused borrowing authority. For FY 2014, the Corporation is currently operating on a Continuing Resolution based on the FY 2013 level of \$30,571,661. In addition, authority to obligate \$900,000 of non-federal revenues has been apportioned by OMB for FY 2014.

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**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, 2013 and 2012 are as follows:

	<b>2013</b>	2012
Due from concession contracts	\$ 53,755	\$ 132,728
Other	81,011	44,778
Interest on deposits in minority banks	<u>3,744</u>	<u>5,455</u>
Total	<u>\$ 138,510</u>	<u>\$ 182,961</u>



**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**Note 5. Plant in Service**

Plant in service as of September 30, 2013 and 2012 is as follows:

Plant in Service	Estimated Life (Years)	2013		2012	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	\$ 101,086,107	\$ 48,144,932	\$ 92,863,181	\$ 46,825,319
Channels and canals	95	36,870,221	19,101,721	36,870,221	18,714,584
Buildings, grounds and utilities	50	17,734,425	8,190,524	17,532,584	7,836,960
Permanent operating equipment	5 - 40	15,764,197	10,354,585	15,950,265	10,357,501
Roads and bridges	50	12,564,980	9,791,153	12,564,980	9,539,853
Land rights & relocations	95	5,639,064	2,945,589	5,639,064	2,886,379
Navigation aids	10 - 40	3,154,779	2,715,011	3,154,779	2,682,821
Public use facilities	50	930,374	775,193	930,374	756,585
Lands in fee	N/A	867,326	-	867,326	-
Total plant in service		<u>\$ 194,611,473</u>	<u>\$102,018,708</u>	<u>\$186,372,774</u>	<u>\$99,600,002</u>

The U.S. portion of the St. Lawrence Seaway was built in the late 1950s. The Corporation developed, as part of its FY 2009 budget request to Congress, a ten-year Asset Renewal Program (ARP) estimated at \$186 million 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 undelivered orders) in the program through September 30, 2013, excluding personnel compensation, amounted to \$79,791,597.

Plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd. (SIBC), 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.

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**Note 6. Investment in the Seaway International Bridge Corporation, Ltd. (SIBC)**

The Corporation owns, on behalf of the U.S. Government, 50 percent of SIBC, a subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. The net annual income from the SIBC, after all operating expenses, is divided equally between both parties. The Corporation's portion, if any, is retained in escrow by SIBC to fund structural repair costs to the South Channel Bridge as provided in the Corporation's enabling act. Any revenue received by the Corporation will be returned to the U.S. Treasury as miscellaneous receipts. No revenue from the SIBC has been received since 1961.

**Note 7. Other Revenues**

Other revenues for the years ended September 30, 2013 and 2012 consist of the following:

	2013	2012
Concession operations	\$ 592,485	\$ 637,284
Pleasure craft/non-commercial tolls	92,681	104,451
Miscellaneous	65,605	63,665
Rental of administration building	47,150	51,849
Shippers' payments for damages to locks, net	28,834	866
Gain on property disposals	10,996	1,151
Vessel services	-	1,200
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 837,751</u>	<u>\$ 860,466</u>

Shippers' 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.

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**Note 8. Operating Expenses by Object Class**

Operating expenses by object class for the years ended September 30, 2013 and 2012 are as follows:

	2013	2012
Personnel services and benefits	\$ 12,465,593	\$ 12,634,770
Contractual services	1,645,059	3,967,515
Supplies and materials	843,913	658,608
Equipment not capitalized	189,789	119,514
Travel and transportation	158,157	221,499
Rental, communications and utilities	155,585	216,631
Printing and reproduction	8,786	20,710
Loss on property disposals	-	2,301
Subtotal	<u>15,466,882</u>	<u>17,841,548</u>
Depreciation expense	2,936,226	2,811,291
Imputed expenses	914,929	899,133
Total operating expenses	<u>\$ 19,318,037</u>	<u>\$ 21,551,972</u>

**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, 2013 and 2012 as follows:

	2013	2012
Federal Employees Retirement System:		
Automatic contributions	\$ 1,032,463	\$ 1,012,072
Matching contributions	280,262	267,229
Social Security	527,325	502,996
Civil Service Retirement System	84,664	95,754
Total	<u>\$ 1,924,714</u>	<u>\$ 1,878,051</u>

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**Note 9. Retirement Plans (continued)**

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, 2013 and 2012 were \$914,929 and \$899,133, respectively.

**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, 2013 and 2012, revenue totaled \$42,607 and \$47,394 for space provided to the U.S. Coast Guard and the Internal Revenue Service. Effective December 31, 2012, the Internal Revenue Service cancelled its lease and vacated the rental space.

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, 2013 and 2012 of \$324,360 and \$318,339, 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 2013 and FY 2012 were as follows:

	2013	2012
Federal Aviation Administration	\$ 334,669	\$ 330,345
Federal Highway Administration	44,385	40,979
Volpe National Transportation Systems Center	20,350	10,000
Department of Commerce	8,121	9,065
General Services Administration	5,920	7,975
Office of the Secretary of Transportation	754	50,283
Office of Personnel Management	666	969
Federal Occupational Health	<u>245</u>	<u>325</u>
Total	<u>\$ 415,110</u>	<u>\$ 449,941</u>

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of and for the years ended September 30, 2013 and 2012**

**Note 10. Related Party Transactions (continued)**

Accounts payable and accrued payroll benefits at September 30, 2013 and 2012 include \$1,500,198 and \$1,557,543 respectively, of amounts payable to the U.S. Government.

In fiscal years 2013 and 2012, the Corporation accrued costs of \$132,773 and \$130,416, respectively, to the Canadian St. Lawrence Seaway Management Corporation for administrative services related to tolls and statistics.

**Note 11. Contingencies and Commitments**

As of September 30, 2013, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2013 and 2012 there were undelivered orders and contracts amounting to \$13,490,661 and \$22,203,616, respectively.

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 \$47,995,920 consist of the Corporation's unobligated balance of \$15,997,809 brought forward October 1, 2012, and reimbursements earned of \$31,491,349, and recoveries of prior year's obligations of \$506,762.

\* \* \* \* \*

# SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION



**Fiscal Year 2013 Annual Report**

## CONTACTS

### Washington, D.C. Office

Administrator	(202) 366-0091
Deputy Administrator	(202) 366-0105
Senior Advisor to the Administrator	(202) 366-0107
Office of Congressional and Public Relations	(202) 366-6114
Trade Development	(202) 366-5418
Budget and Programs	(202) 366-8982

### Massena, N.Y. Office

Associate Administrator for Seaway Operations	(315) 764-3209
Associate Administrator for Infrastructure Management & Strategic Programs	(315) 764-3251
Chief Counsel	(315) 764-3231
Chief Financial Officer	(315) 764-3273
Human Resources	(315) 764-3230
Engineering and Maintenance	(315) 764-3254
Lock Operations and Marine Services	(315) 764-3294
Lock Operations (after hours)	(315) 764-3292

### Facsimile Numbers

Washington, D.C. Office	(202) 366-7147
Administration Building (Massena, N.Y.)	(315) 764-3235
Maintenance Building (Massena, N.Y.)	(315) 764-3258
Eisenhower Lock (Massena, N.Y.)	(315) 764-3250

[www.greatlakes-seaway.com](http://www.greatlakes-seaway.com)

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## LETTER FROM THE ADMINISTRATOR

Dear Seaway Stakeholder:

In accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report and financial audit of the Saint Lawrence Seaway Development Corporation (SLSDC) for the Fiscal Year (FY) ending September 30, 2013. This unqualified financial audit represents the SLSDC's 50th consecutive clean audit, serving as a federal model for superior financial management.

The first section of the report was prepared by the SLSDC to provide information on the agency, its mission, and the success of its performance measures. The second section consists of FY 2013 audited financial statements with associated notes and the reports of Chiampou Travis Besaw & Kershner, LLP.

As a native of the Great Lakes region, I grew up with an appreciation for the water and the significance of the Great Lakes Seaway System to moving commerce. The waterway makes a vital economic impact on the U.S. and Canadian citizens and businesses it serves and I am proud to be a part of the SLSDC team.

In FY 2013, the SLSDC had many important accomplishments, including the completion of three major lock infrastructure projects on time and on budget during the winter non-navigation period as part of the Asset Renewal Program (ARP). The 2013 ARP work represented the SLSDC's busiest winter work period since the original lock construction in the 1950's.

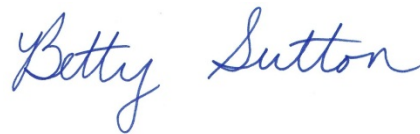
In addition, SLSDC efforts in environmental stewardship were recognized in a report highlighting the continued effectiveness of the Seaway's current ballast water management regime. The report highlighted that 100 percent of all ocean-going ships bound for Seaway System ports from outside U.S. or Canadian waters in 2012 received a ballast tank exam.

The SLSDC also co-sponsored a Great Lakes Seaway System modal comparison study that highlighted that Great Lakes ships are more fuel-efficient and emit fewer greenhouse gases per ton/kilometer than land-based alternatives.

I am committed to leading the SLSDC in promoting the

importance and advantages of Great Lakes Seaway System commercial shipping to regional public officials, stakeholders, and prospective users in an effort to increase awareness, spur regional economic development, seek inclusion in state transportation freight plans, and generate new commerce through the waterway.

Be sure to visit our binational website, [www.greatlakes-seaway.com](http://www.greatlakes-seaway.com), as well as our Facebook page, [www.fb.com/usdotslsc](http://www.fb.com/usdotslsc), to learn more about the latest SLSDC developments and activities.



Betty S. Sutton  
Administrator





## 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., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the Corporation performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. Maritime commerce on the Great Lakes Seaway System annually sustains more than 225,000 U.S. and Canadian jobs, \$14.1 billion in personal income, \$33.6 billion in transportation-related business revenue, \$6.4 billion in local purchases, and \$4.6 billion in federal, state, provincial, and local taxes. The binational waterway also provides approximately \$3.6 billion in annual transportation cost savings compared to competing rail and highway routes.

The St. Lawrence Seaway is an international waterway, and the SLSDC directly interacts with numerous Canadian government and private entities to carry out its mission. The SLSDC 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 24-hour, year-round coordination between the two Seaway Corporations.

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

## Mission Statement

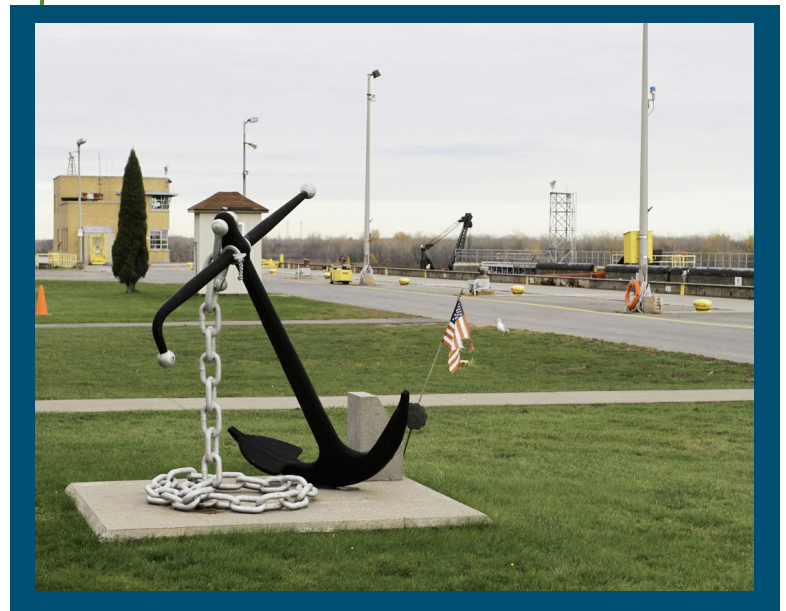
The SLSDC operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development activities focused on economic development for the Great Lakes St. Lawrence Seaway System. Its mission is to serve the marine transportation industry by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with Canada.

## Vision Statement

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

## Core Organizational Values

Accountability, Competitiveness, Customer Focus, Dedication, Diversity, Excellence, Integrity, Operational Efficiency, Relevance, Service, and Quality.



*Eisenhower Lock, Massena, New York.*

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

Each year, the Saint Lawrence Seaway Development Corporation (SLSDC or Corporation) 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 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 St. Lawrence Seaway Management Corporation, or SLSMC), with the U.S. share remitted to the Corporation. 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 agency of the U.S. Congress. 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 the U.S. to negotiate Seaway toll levels with the SLSMC.

### SLSDC Financial Activity By Fiscal Year

<b>Selected Financial Indicators *</b>				
<i>(in thousands of dollars)</i>				
For the Fiscal Years Ended September 30	2013	2012	Change	
			\$	%
<b>Operating Revenues</b>	<b>7,246</b>	<b>24,350</b>	<b>(17,104)</b>	<b>(70)</b>
Appropriations expended	6,408	23,490	(17,081)	(73)
Other	838	860	(23)	(3)
<b>Operating Expenses</b>	<b>15,467</b>	<b>17,842</b>	<b>(2,375)</b>	<b>(13)</b>
Personnel services and benefits	12,466	12,635	(169)	(1)
Other	3,001	5,207	(2,205)	(42)
<b>Imputed Financing and Expenses</b>				
Imputed financing	915	899	16	2
Imputed expenses	915	899	16	2
<b>Total Assets</b>	<b>149,751</b>	<b>135,955</b>	<b>13,796</b>	<b>10</b>
<b>Time Deposits in Minority Banks</b>	<b>10,475</b>	<b>10,248</b>	<b>227</b>	<b>2</b>
Short-term	9,182	8,212	970	12
Long-term	1,293	2,036	(743)	(36)
<b>Interest Income from Minority Banks</b>	<b>82</b>	<b>118</b>	<b>(36)</b>	<b>(31)</b>

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

### Operating Revenues

Operating revenues, excluding imputed financing, totaled \$7.2 million in Fiscal Year (FY) 2013, a \$17.1 million decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, decreased \$17.1 million and other revenues decreased \$23,000.

### Operating Expenses

Overall operating expenses of \$15.5 million, excluding depreciation and imputed expenses, decreased by \$2.4 million. Personnel services and benefits decreased \$169,000 while other costs decreased \$2.2 million. Personnel services and benefits represented 81 percent of the Corporation's operating expenses in FY 2013.

Other costs of \$3 million included \$1.6 million for other contractual services; \$844,000 for supplies and materials; \$190,000 for equipment not capitalized; \$158,000 for travel and transportation of persons and things; \$156,000 for rent, communications; and utilities; and \$9,000 for printing and reproduction.

The Corporation employed 125 people on September 30, 2013, including one temporary employee.

### Imputed Financing and Expenses

Effective in 1997, the Corporation 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 Corporation's financial position continues to remain sound with total assets of \$150 million. Plant, property, and equipment are valued at \$112 million.

### Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling \$10.5 million at year-end. An increase in short-term deposits of \$970,000 was mostly offset by a decrease in long-term deposits of \$743,000. Lower inter-

est rates led to a 31 percent decrease in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.

### Unobligated Balance

The Corporation had an unobligated balance on September 30, 2013 of \$16.6 million, comprised of \$3.2 million of unused borrowing authority and \$13.4 million in financial reserves. The reserve is maintained to finance emergency or extraordinary expenditures to ensure safe and uninterrupted use of the Seaway, a policy affirmed by the 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).

### Agency Operations

Other-than-personnel expenditures for Agency Operations totaled \$3.3 million. Specific operating expenditures for Agency Operations included \$550,000 for special operating projects; \$412,000 for general operating expenses; \$320,000 for lock inspection and maintenance; \$129,000 for building maintenance; \$118,000 for capitalized equipment; and \$114,000 for equipment vehicle, and vessel maintenance.

### SLSDC's Asset Renewal Program

As part of its FY 2009 budget request to Congress, the SLSDC developed an Asset Renewal Program (ARP) to address the long-term asset renewal needs of the U.S. Seaway infrastructure. A perpetual infrastructure asset such as a lock requires a capital investment equivalent to its original cost over its design life, which is typically 50 years, in order to sustain itself. The U.S. portion of the St. Lawrence Seaway was built in the late 1950s at an original cost of \$130 million. Prior to the start of the ARP in FY 2009, only \$47 million in capital expenditures had been invested in the U.S. Seaway locks since they opened in 1959.

The 61 projects included in the current ARP are estimated at \$190 million and address various needs for the two U.S. Seaway locks, the Seaway International Bridge connecting Ontario and New York, maintenance dredging, operational systems, and Corporation facilities and equipment. None of these investments will result in increases to the autho-

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013 (Cont.)

alized depth or width of the navigation channel or to the size of the two existing U.S. locks.

In FY 2013, the SLSDC obligated \$14.2 million in other-than-personnel, including accrued expenditures and undelivered orders, for Year Five of its ARP. ARP other-than-personnel accrued expenditures, not including undelivered orders, totaled \$23.5 million and primarily included expenditures of \$12 million for new ice flushing system installation, \$4 million for culvert valve machinery, \$3 million for downstream miter gate rehabilitation, \$3 million for floating plant upgrades, \$317,000 for physical security upgrades, \$207,000 for equipment replacements, \$149,000 for Eisenhower Lock Visitors' Center improvements, \$145,000 for maintenance dredging, \$111,000 for culvert valve improvements, and \$103,000 for dewatering pump upgrades.

**ARP Project No. 41: Snell Lock – Ice Flushing System Technologies** – Hohl Industrial Services, Inc. completed installation of seven ice flushing pipes in the upstream miter gate sill at Snell Lock and the work for enlarging the crossover gallery in which the valves for operating the ice flushing system will be installed. This work involved the demolition and replacement of approximately 900 cubic yards of concrete in the miter gate sill. Stantec Consulting Services, Inc. completed the inspection and testing required to ensure specification conformance.

**ARP Project No. 4: Both Locks – Culvert Valve Machinery – Upgrade to Hydraulic Operation** – Hohl Industrial Services, Inc. completed work to upgrade the north side valve operating machinery at both Eisenhower and Snell Locks to hydraulic operation. Upon completion of the work it was determined that, due to an error in the design which was completed by a third party, the new machinery would not open the valves to the full open position. The problem was investigated and a solution was found. In FY 2013, Hohl completed work to correct this problem for the north emptying valve and the south filling and emptying valves at Eisenhower Lock and for all of the filling and emptying valves at Snell Lock. Lowe, Gravelle and Assoc. completed the inspection and testing required to ensure specification conformance.

**ARP Project No. 2: Both Locks – Rehabilitate Downstream Miter Gates** – Kubricky Construction Corp. com-

pleted work for rehabilitating the downstream miter gate at Eisenhower Lock, which included replacing miter and quoin contact blocks, diagonals, gate anchorage assemblies, pintles and bushings, and rubber gate seals. C&S Engineers inspected the work to ensure specification conformance. The Chesapeake Machine Co. fabricated parts for the miter gate rehabilitation work.



*Contractor is working on the downstream north miter gate leaf at Eisenhower Lock.*

**ARP Project No. 12: Corporation Equipment – Upgrade/Replace Floating Plant** – Continental Construction Co. continued work to upgrade multiple systems on the gatelifter “Grasse River”, which included replacing the mooring winches, ballast valves with actuators, pumps and an air compressor, upgrading the electrical distribution and sanitary systems, and improving the below deck access and egress. The SLSDC’s buoy barge was towed to Escanaba, Mich., where Basic Marine, Inc. commenced work to make improvements to the vessel which included replacing the crane, generator, and bow thruster engine; upgrading the bow thruster controls, heating system, fire suppression system, and below deck access and egress; and for installing solid ballast on the barge. Robert Allen, Ltd. conducted an inspection and evaluation of the Corporation’s two tugs and provided reports comparing the refit and replace options for both vessels.

**ARP Project No. 51: Corporation Facilities – Upgrade Physical Security to Meet HSPD-12 Requirements** – Collins-Hammond Electrical Contractors, Inc. nearly com-

pleted work for installing equipment at doors and vehicle gates at several SLSDC facilities to improve physical security. This equipment will work with Personal Identification Verification (PIV) and other proximity cards to control access to Corporation facilities, buildings, and rooms.

**ARP Project No. 9: Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles, and Shop Equipment** – The SLSDC purchased a front end loader, from Nortrax, Inc., and a forklift, from American Material Handling, Inc., to replace older units that were becoming expensive to maintain.

**ARP Project No. 52: Eisenhower Lock Visitors' Center – Replace** – Aubertine and Currier Architects, Engineers & Land Surveyors, PLLC completed an evaluation of the Eisenhower Lock Visitors' Center to determine whether to replace or renovate the facilities. The most cost effective option was replacement. Aubertine and Currier completed the designs, specifications, and drawings for demolishing the existing restroom building and replacing it with a new security/restroom building and new septic system.

**ARP Project No. 17: Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments** – White Lake Dock and Dredge, Inc. completed dredging river bottom sediments from the navigation channel at the International Tangent and in the Intermediate Pool between Eisenhower and Snell Locks to ensure that vessels can pass safely at the Seaway-specified maximum draft. Work to complete hydrographic surveys in the navigation channel in U.S. Seaway waters was completed under an agreement with the Canadian SLSMC.

**ARP Project No. 7: Both Locks – Culvert Valves – Replace with Single Skin Valves** – The U.S. Army Corps of Engineers performed physical modeling of a revised single skin valve design, to determine how best to resolve issues with the existing design and that of a new single skin valve design, before ordering any more new valves.

**ARP Project No. 39: Both Locks – Dewatering Pumps – Upgrade Outdated Equipment** – Rolfe Industries, Inc. completed rebuilding two of the four vertical turbine pumps used to dewater the locks for winter maintenance. The other two pumps will be rebuilt in FY 2014.

### Significant Future Costs and Anticipated FY 2014 Accomplishments

Included in the SLSDC's FY 2014 budget request to Congress was a five-year ARP Capital Investment Plan. For the FY 2014-2018 time frame, the Seaway ARP includes 36 projects estimated at \$92.2 million with total funding for each year of the plan constrained to funding targets for those years as approved by the Office of Management and Budget (OMB).

The Corporation's FY 2014 budget request included 22 Year Six ARP projects totaling \$15.9 million. Major ARP projects proposed to be funded in FY 2014 include maintenance dredging of the U.S. waters of the St. Lawrence Seaway (\$5.2 million), the upgrade of miter gate machinery at the Seaway locks (\$1.8 million), concrete rehabilitation at Eisenhower Lock (\$1.5 million), and the continued resurfacing and repairs to the Corporation roadways and paved areas (\$1.3 million).

#### Major FY 2014 Project Details:

**ARP Project No. 17: Corporation Facilities – Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments** (Non-Capital Maintenance Project) (\$5,150,000) – This project is for dredging of the navigation channel to remove sediment and to maintain the design grade for the channel bottom. In FY 2009, the SLSDC awarded an ARP contract to complete maintenance dredging for both the intermediate pool (between Eisenhower and Snell Locks) and the international tangent section to the east of Snell Lock. The dredging in the intermediate pool is essentially complete; however, some high spots comprised of very hard material remain, which will require removal in the future. FY 2014 funding will address the remaining high spots and begin work on other sections of the St. Lawrence River under U.S. jurisdiction that require maintenance dredging.

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013 (Cont.)

**ARP Project No. 43: Both Locks – Miter Gate Machinery – Upgrade/Replace** (Capital Project) (\$1,750,000) – This project is for replacing the operating machinery for the miter gates at both locks. This machinery is more than 50 years old and needs to be upgraded to ensure its continued reliability. The upgrade will include new hydraulic operating equipment to match the improvements made at the Canadian Seaway locks and the other locks in the United States.

**ARP Project No. 29: Eisenhower Lock – Walls, Sills and Culverts – Rehabilitate Concrete** (Capital Project) (\$1,500,000) – This project is to replace deteriorated/damaged concrete at Eisenhower Lock in all areas except the diffusers. This includes concrete that was of poor quality when placed during original construction and concrete that has been damaged by freeze-thaw cycles and by vessel impacts. This project includes resurfacing the mass concrete that forms the locks walls as well as filling and emptying culverts and the gate sills by replacing concrete to depths ranging between approximately 8 inches and 24 inches.

**ARP Project No. 14: Corporation Facilities – Replace Paving and Drainage Infrastructure** (Capital Project) (\$1,300,000) – This project is for improving the pavement and drainage along lock approach walls as well as the roadways, public parking, and work areas at all Corporation facilities. In Upstate New York, the damage to pavements caused by winter conditions is significant. If repairs are not made before the damage is too severe, complete replacement of the pavement down to and often including the base materials is required at a much higher cost. In FY 2014, the SLSDC will continue the work it started in FY 2009 to address the most critical areas remaining.



### **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 Montreal, Que., 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 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.

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 detained in Montreal 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 for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2012 navigation season, with 232 inspections conducted by SLSDC personnel. As of September 30, 149 vessel inspections had been completed in 2013.

### **SLSDC Completes Fifth Year of Asset Renewal Program**

During FY 2013, the SLSDC continued its work in the area of U.S. Seaway infrastructure renewal as part of its

multi-year Asset Renewal Program (ARP). The ARP was started in FY 2009 to rehabilitate the U.S. Seaway's navigation infrastructure, the Seaway International Bridge, and Corporation facilities in Massena, N.Y.

In FY 2013, the SLSDC obligated \$14.2 million on 27 ARP projects. Major ARP activities obligated in FY 2013 included Snell Lock downstream miter gate rehabilitation (\$3 million), Eisenhower Lock upstream miter gate structural rehabilitation (\$2.9 million), Snug Harbor spare gate storage and assembly area upgrades (\$2.1 million), emergency generator replacements (\$1.8 million), and completion of the Snell Lock ice flushing system installation (\$1.6 million).

There were several small obligations associated with out-year ARP projects in preparation for future work, which greatly increased the number of projects funded during the fiscal year. Through the first five years of ARP funding (FYs 2009-2013), the SLSDC has obligated \$79.8 million on more than 41 separate projects.

The SLSDC's ARP is resulting in not only modernized infrastructure and new equipment to ensure the long-term reliability of the St. Lawrence Seaway; but it is also having a positive and significant impact on the Upstate New York economy. In fact, more than 70 percent of the ARP funds obligated during the program's first five years, totaling more than \$58 million, were awarded within the region. In addition to these contracts, the ARP is producing \$1.5-\$2.5 million in additional economic benefits to the region (local permanent and temporary hires, local spending on supplies and equipment, lodging, meals, etc.) each year.

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, which will result in minimized maintenance needs.

### **SLSDC Completes Three Major ARP Projects during Winter Period**

In FY 2013, the SLSDC completed three major ARP projects during the non-navigation winter months: installation of an ice

## OPERATIONAL INITIATIVES (Cont.)

flushing system at Snell Lock; rehabilitation of the downstream miter gate at Eisenhower Lock; and installation of culvert valve operating machinery at both locks. The 2013 winter work presented SLSDC staff and several contractors with the most crucial, difficult, and labor intensive project activity since the ARP began in 2009, and contractor crews worked around-the-clock in order to complete the work. For the 2013 winter work period, there were no work manhours lost due to safety-related incidents for work spanning three months and comprising nearly 130,000 documented work manhours.

In February 2013, the SLSDC hosted a group of USDOT, OMB, and Congressional officials for a one-day site visit of the Corporation's operational facilities in Massena, N.Y., to view firsthand the ARP winter work.

The 2013 ARP winter work concentrated on three major projects:

**Snell Lock Ice Flushing System Installation** – The new system will allow for safer and more efficient transit of vessels through the U.S. Snell Lock when ice conditions are present, causing less wear-and-tear on the lock infrastructure and machinery. The SLSDC's Eisenhower Lock has had an operational ice flushing system since the late 1970s. The FY 2013 work included removing approximately 1,600 cubic yards of concrete from the upstream miter gate sill, installing seven galvanized steel pipes,

and placing new concrete, returning the gate sill back to its original geometry. Installation was completed during the 2013 navigation season, without disrupting navigation, and is expected to be fully functional during the final weeks of the 2013 season, when ice conditions are typically present.

**Eisenhower Lock Miter Gate Rehabilitation** – After completing miter gate rehabilitation to the upstream (west-bound) gates at both U.S. locks over the previous two winters, the SLSDC's 2013 efforts focused on rehabilitation of the downstream gates, which consist of two leaves each 90 feet tall and weighing approximately 300 tons (approximately twice the height and weight of the upstream gate leaves). The rehabilitation work included disconnecting the two gate leaves from their anchorage assemblies and replacing worn and/or damaged components including miter and quoin contact blocks, pintles, rubber seals, and diagonals to ensure proper functioning of the miter gates.

**Valve Operating Machinery Modernization** – The FY 2013 upgrades to the Seaway lock culvert valve operating machinery completed this multi-year ARP project. Work during the winter months included modernizing the electro-mechanical operating machinery for the south side filling and emptying valves at both Eisenhower and Snell Locks with a modernized hydraulic system. The machinery for the north side valves at both locks was replaced the previous winter.



*Installation of the new ice flushing system at Snell Lock, Massena, New York.*

### **SLSDC Continues Role on Great Lakes Regional Waterways Management Forum**

In FY 2013, the SLSDC continued to play a key role in the Great Lakes Regional Waterways Management Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues across multiple jurisdictional zones and/or those involving international issues. The Forum is also tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.



### SLSDC Participates in Annual Emergency Exercise

The SLSDC sustains an Emergency Response Plan that enhances the Corporation's ability to respond to any vessel incident. 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 local environment and on Seaway trade and commerce. Annual training and drills are practiced to ensure that resources are adequate for an effective response. Most training and drills are multi-agency led and attended by local response agencies and environmental groups. Since 1992, the SLSDC has participated and/or hosted 33 annual emergency exercises.

On September 18-19, 2013, the SLSDC participated in an annual tabletop and functional emergency response exercise that included representatives from various Seaway stakeholder and regional partners. The exercise was hosted by the New York Power Authority (NYPA). A full-scale functional exercise was held, examining the response to an earthquake causing catastrophic flooding across the North Country, particularly in the town of Massena, N.Y. The event also included a thorough review of the opera-



*SLSDC personnel prepare to deploy boom as part of an on-the-water exercise during the Emergency Preparedness Committee on Civil Transportation workshop.*

tion of the binational Robert Moses Power Dam and the St. Lawrence Seaway as well as a review of the NYPA's Emergency Action Plan.

### SLSDC Hosts Binational Security Workshop

In October 2012, the SLSDC hosted USDOT and Transport Canada representatives at its operational facilities in Massena, N.Y., for the three-day Emergency Preparedness Committee on Civil Transportation (EPCCT) workshop. The focus of the annual EPCCT is to maintain the close working relationship between the U.S. and Canadian ministries for transportation in mutually supporting civil emergency preparedness and response planning activities.

The workshop was well attended with over 35 participants from both governments, including representatives from each Canadian province and various components of Transport Canada. The delegation from the USDOT included members of the Department's Emergency Coordinator cadre, Regional Emergency Transportation Coordinators, and Regional Emergency Transportation Representatives. Security and emergency response officials from USDOT's Office of Intelligence, Security, and Emergency Response were also in attendance.

EPCCT activities included presentations and discussions on U.S. and Canadian "Beyond the Border" initiatives, comparisons of international aviation processes and procedures, and emergency preparedness from an intermodal perspective on both sides of the border. In addition, the group examined transportation emergency scenarios including international maritime preparedness on the St. Lawrence Seaway, that are addressed in the SLSDC's Emergency Response Plan.

### **Federal Report Highlights Continued Effectiveness of the Great Lakes Seaway System Ballast Water Inspection Program**

In FY 2013, a new report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2012 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 2012 *Summary of Great Lakes Seaway Ballast Water Working Group* released by the USCG examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. The report found that 100 percent of all ocean-going ships bound for Seaway System ports from outside U.S. or Canadian waters in 2012 received a ballast tank exam, compared with 100 percent in 2011, 100 percent in 2010, 100 percent in 2009, 99 percent in 2008, and 74 percent in 2007. Moreover, the report found that 6,974 ballast tanks were assessed in 2012 during 386 vessel transits. Vessel compliance rate for 2012 was 98%. Vessels that were unable to exchange their ballast water/residuals and that were required to retain them onboard received a verification boarding during their outbound transit prior to exiting the Seaway. The effectiveness of the Seaway's ballast water inspection program has been publicly credited as a key factor in preventing the establishment of any new species in the Great Lakes since 2006 – the longest such period of non-detection on record.

The report was prepared by the Great Lakes Seaway Ballast Water Working Group (BWWG), that includes representatives of the SLSDC, Canadian 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 via ships' ballast water.

In addition to ballast tank exams for all oceangoing vessels entering the St. Lawrence Seaway in 2012, 100 percent of ballast water reporting forms were screened to assess ballast water history, compliance, voyage information, and proposed discharge location. In 2012, Transport Canada issued eight Letters of Warning for vessels found

with discrepancies in its ballast water management plan, records, or reports. These letters are used for minor first-time offenses with a warning of possible assessment of a fine if not corrected. BWWG agencies issued Letters of Retention for 36 vessel transits involving 133 tanks. Rather than retain non-compliant ballast water, 11 vessels altered course to enable satisfactory exchange. Verification boardings were conducted on every outbound vessel issued a Letter of Retention. In 2012, each of these vessels received a verification boarding and no vessels were found to be in violation. During the navigation season, two vessel owners received monetary penalties of \$6,000 each from Transport Canada for making a false declaration. Ballast tank test results were inconsistent with information found on reporting forms.

In 2008, the SLSDC implemented regulations requiring all oceangoing ships with no ballast in their tanks to conduct saltwater flushing of their empty ballast water tanks before arriving in the Seaway. Under these requirements, vessels must conduct saltwater flushing of their tanks that contain residual amounts of ballast water and/or sediment. Flushing must occur in an area 200 nautical miles from any shore before entering waters of the Seaway.

### **Great Lakes/Seaway Modal Comparison Study Finds Marine Transportation Fuel Efficient and Cleanest Mode of Transportation**

In early February 2013, a new Great Lakes Seaway System modal comparison study was publicly released by a binational consortium of public and private sector stakeholders, including the SLSDC. The study, *The Environmental and Social Impacts of Marine Transport in the Great Lakes-St. Lawrence Seaway Region*, <http://www.marinedelivers.com/sites/default/files/documents/impacts-exec-sum.pdf> highlights that Great Lakes ships are more fuel-efficient and emit fewer greenhouse gases per ton/kilometer than land-based alternatives. The study was performed by the Canadian transportation consulting firm, Research and Traffic Group.

The analysis shows that a shift of cargo carried by marine vessels on the Great Lakes Seaway System to road and/or rail routes would lead to increased levels of traffic congestion, higher infrastructure costs to maintain highways, and

significantly greater levels of noise. To provide the most meaningful analysis of the marine mode, report findings are presented for three fleet categories: (1) Seaway-size fleet (Canadian domestic carriers and Seaway-sized international vessels); (2) U.S. fleet (U.S. domestic fleet predominantly operating in the Upper Great Lakes); and (3) Combined Great Lakes-Seaway fleet (Seaway-size fleet and U.S. fleet).

The report is designed to provide marine stakeholders, transportation planners, and government policymakers with an assessment of the potential environmental and social impacts that could occur if cargo carried by marine vessels on the Great Lakes Seaway System shifted to road and/or rail modes of transportation.

The study examined the external impacts that can be compared between rail, truck, and vessel, including fuel efficiency, greenhouse gas (GHG) emissions, criteria air contaminant (CAC) emissions, traffic congestion, infrastructure impacts, and noise impacts.

The report also found that new ship designs and engine technology being introduced to the Great Lakes fleet over the next few years will only serve to increase these ben-

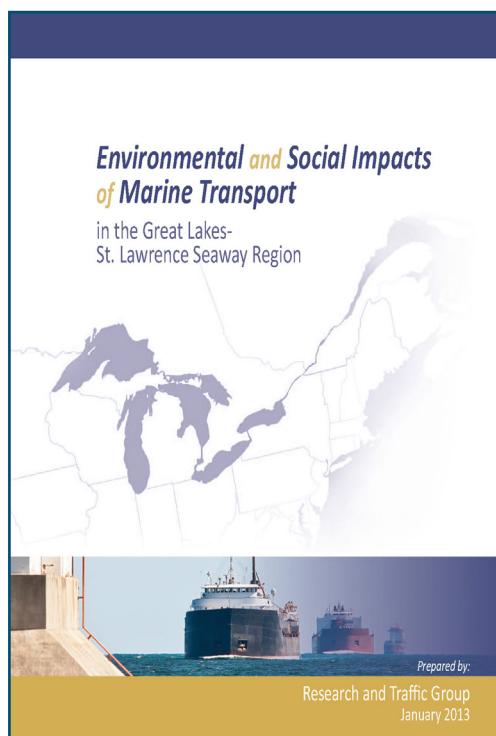
efits. In particular, the Great Lakes Seaway System fleet overall is expected to achieve significant reductions in emissions with a 32 percent decrease in GHG emissions, an 86 percent reduction in nitrogen oxides (NOx) emissions, a 99 percent reduction in sulfur oxides (SOx) emissions, and an 85 percent reduction in particulate matter (PM) emissions.

### **SLSDC Continues to Support Binational “Green Marine” and “Marine Delivers” Programs; Achieves Higher Level of Environmental Performance**

In FY 2013, 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 a number of 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.

In May 2013, the SLSDC was presented with its fifth certificate as an active participant in Green Marine’s binational environmental program. All participants must complete a yearly self-evaluation and demonstrate their environmental performance based on numerous criteria. The performance indicators range on a scale from 1 to 5, with 1 representing regulatory compliance and 5 reflecting leadership and excellence. In FY 2013, the SLSDC reached the 4 level for the first time. The Corporation achieved this higher level of performance for curbing greenhouse gases and implementing environmental leadership. Although Green Marine is a voluntary program, the results are subject to rigorous external verification. The SLSDC recently contracted with Lloyds Register of Quality Assurance to review the self-assessment to confirm the results and provide input and guidance on reaching the highest level.



## ENVIRONMENTAL INITIATIVES (Cont.)

In May 2009, the Green Marine CEO Governance Board mandated that a small group of industry members develop a strong, proactive communications plan to better support the marine industry. This new initiative was launched in FY 2010 and is called “Marine Delivers”.

Marine Delivers is a binational collaboration created to demonstrate the positive economic and environmental benefits, safety, energy efficiency, and sustainability of shipping on the Great Lakes Seaway System. The primary mission of the Marine Delivers communications program is to provide responsible, timely, consistent and relevant information to help shape a positive image of the Great Lakes St. Lawrence Seaway System maritime industry.

Marine Delivers is jointly managed by the Canadian Chamber of Marine Commerce and the American Great Lakes Ports Association. Program funding is secured from contributions from Great Lakes Seaway System shipping companies, ports, the St. Lawrence Seaway entities, and other stakeholders with business interests in the Great Lakes-Seaway region. The SLSDC serves as an “ex officio” member on the Marine Delivers Executive Board and provides input into program activities.



*David Bolduc (middle), Green Marine Management Corporation, Executive Director presents the Green Marine Performance Certificate to Craig Middlebrook (right), SLSDC Acting Administrator, and Jean Aubry-Morin (left), The St. Lawrence Seaway Management Corporation, Vice President, External Affairs.*

### **SLSDC Plays Leadership Role on Great Lakes Ballast Water Collaborative**

In late FY 2009, the SLSDC initiated the Great Lakes Ballast Water Collaborative (BWC), in conjunction with the International Joint Commission, to bring together industry and regulators (federal and state) on the issue of ballast water and invasive species in the region. One of the primary goals of the BWC is to share relevant, useful, and accurate information and foster better communication and collaboration among the key stakeholders engaged in the effort to reduce the risk of the introduction and spread of aquatic nuisance species.

A particular emphasis of the BWC has been to bring state representatives together with marine industry representatives and respected scientists to share information and find workable and effective solutions to the aquatic invasive species challenge.

In September 2009, the BWC held its first meeting in Detroit, Mich., as an information-sharing forum on ballast water issues for the Great Lakes Seaway System. To date, the SLSDC has co-hosted six BWC meetings at different locations throughout the Great Lakes Seaway System. BWC meeting attendees include representatives from state and provincial governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian regulatory agencies; senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and leading academic ballast water researchers from Canada and the United States.

Reports from these meetings are available on the binational Seaway website and have been cited by the EPA Science Advisory Board, the California State Lands Commission, and the Wisconsin Department of Natural Resources. The wide-spread use of the reports and the robust attendance at Collaborative meetings are indicative of the need that was filled by Collaborative activities.

In FY 2013, the BWC played a key role in developing stronger connections among scientists, regulators, environmental non-governmental organizations (NGOs), and Seaway users. It has been instrumental in developing a more uniform regulatory approach for ballast water for the Great Lakes and for the entire country.

The statute that created the SLSDC provided general authority for the Corporation to undertake trade promotion activities. Marketing programs that promote Seaway utilization have had a multitude of benefits. The primary benefit is the stimulation of U.S. and Canadian port city economies through increased maritime activity, including services and employment to support international trade activity. Furthermore, the Corporation engages in activities designed to increase public awareness of the Seaway. This includes strategies aimed at identifying new markets for, and increasing the use of the Great Lakes Seaway System.

By working collaboratively with the Canadian SLSMC and stakeholders from around the system, the SLSDC has developed and executed numerous promotional programs designed to educate international audiences about the many opportunities for moving cargo to and from the heartland of North America.

### SLSDC Participates at Annual Seatrade Cruise Convention in Miami

In coordination with the Great Lakes Cruising Coalition, the SLSDC participated in the annual Cruise Shipping Miami (formerly Seatrade) conference, March 11-14, 2013 in Miami, Fla. For more than 25 years, the cruise ship industry has gathered in Miami to promote every aspect of the marine passenger travel industry. This year's event attracted more than 11,000 visitors and 1,000 exhibitors.

The Great Lakes Seaway System delegation introduced cruising on the Great Lakes to new customers and reaffirmed the Great Lakes as one of the safest destinations for cruise ships as well as a comfortable environment for travelers seeking vacation options closer to home. The delegation also staffed an information booth at the conference and hosted an information session for 17 senior managers engaged in global cruising. In addition, SLSDC officials worked directly with cruise ship owners and operators, discussing requirements and providing technical information for cruise ships entering the Seaway System.

*Rebecca Spruill, SLSDC Director of Trade Development presents the Robert J. Lewis Pacesetter Award to Marc Krantz, Chairman of the Port of Cleveland's Advisory Board.*



### SLSDC Co-Hosts

#### Annual Highway H<sub>2</sub>O Conference

The SLSDC participated in the 8th Annual Highway H<sub>2</sub>O Port Partners Conference in Toronto, Ont., November 14-15, 2012. The event provided an opportunity for Great Lakes Seaway System stakeholder and industry leaders from abroad to examine system diversification from three integrated perspectives – cargo commodities and routes, vessel service opportunities, and operational development. A supply chain case study was also presented to the attendees that highlighted working examples of future growth potential in the Great Lakes Seaway System. The event attracted the second largest number of attendees to date and the highest sponsorship support.

### U.S. Ports Earn SLSDC's Robert J. Lewis Pacesetter Award

In FY 2013, the SLSDC honored seven Great Lakes Seaway System ports with its Robert J. Lewis Pacesetter Award for registering increases in international cargo tonnage shipped through their ports during the 2012 navigation season compared to 2011.

The seven ports that won the Pacesetter Award for 2012 were: the Port of Green Bay (Wis.), Port of Milwaukee (Wis.), Duluth Seaway Port Authority (Minn.), Cleveland-Cuyahoga County Port Authority (Ohio), Toledo-Lucas County Port Authority (Ohio), Port of Oswego (N.Y.), and Ogdensburg Bridge and Port Authority (N.Y.).



*Craig Middlebrook (left), SLSDC Acting Administrator presents the Robert J. Lewis Pacesetter Award to Jonathan Lamb, Lake Superior Warehousing Co., Inc., Vice President and General Manager, and Fred Shuterich (right), Midwest Energy Resources Co. (MERC), President.*



*Craig Middlebrook (center), SLSDC Acting Administrator presents the Robert J. Lewis Pacesetter Award to: (left to right) Neil McKlowsky, Harbor Commission President; Dean Haen, Port Director, Port of Green Bay; Troy Steckenbach, Brown County Executive; and U.S. Congressman Reid Ribble.*

*Betty Sutton, SLSDC presents the Robert J. Lewis Pacesetter Award to: (left to right) Paul Vornholt, The Port of Milwaukee, Interim Port Director; Mayor Tom Barrett; and Tim Hoelter, Board of Harbor Commissioners, President.*



*Sal Pisani (left), SLSDC Associate Administrator presents the Robert J. Lewis Pacesetter Award to Wade Davis (center), Ogdensburg Bridge and Port Authority, Executive Director, and Samuel LaMacchia (right), Ogdensburg Bridge and Port Authority, Chairman.*

*(left to right) Craig Middlebrook, SLSDC Acting Administrator presents the Robert J. Lewis Pacesetter Award to Jim Patka, Oswego Port Authority, Acting Port Director; Terence Hamilton, Oswego Port Authority, Chairman of the Board; and Thomas Gillen, Mayor of Oswego.*



### SLSDC and SLSMC Host the Annual Stakeholder Appreciation Reception

In conjunction with the annual events surrounding Montreal Marine Day events, the SLSDC and SLSMC sponsored its annual trade promotion and stakeholders appreciation reception in Montreal, Que., December 6, 2012. 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 attended by more than 150 stakeholders as well as current and potential customers from several European countries.

### SLSDC Exhibits at Connecticut Maritime Association Conference

For the first time ever, the SLSDC exhibited at the annual Connecticut Maritime Association's Exhibition and Conference in Stamford, Conn., March 18-20, 2013. The event drew more than 2,500 participants representing a wide range of industry experts from the maritime community.

The conference and exhibition provided an excellent opportunity to raise the profile of the Great Lakes St. Lawrence Seaway System with an audience of domestic and international shippers, carriers, freight forwarders, brokers and international regulatory agencies.

### SLSDC Participates in Breakbulk Conferences in Antwerp and New Orleans

The SLSDC participated in two major breakbulk conferences during FY 2013 as part of a Great Lakes Seaway System Highway H2O delegation. In May 2013, the SLSDC exhibited at the 8th Annual Breakbulk Europe Exhibition and Conference in Antwerp, Belgium. More than 5,500 participants from the breakbulk trade and transportation communities attended the event.

In late September 2013, the SLSDC participated in the Breakbulk Americas Exhibition in New Orleans, La. More than 4,000 attendees from around the world participated in the event, including industry leaders from every section of the breakbulk cargo industry.



*The St. Lawrence Seaway Management Corporation staff members enjoyed meeting with potential stakeholders during the Breakbulk Americas in New Orleans, Louisiana.*

### Betty Sutton Sworn-In as 10th SLSDC Administrator

Betty Sutton was sworn-in by U.S. Transportation Secretary Anthony Foxx on August 13, 2013, as the 10th SLSDC Administrator.



*Photo of U.S. Secretary Transportation, Anthony Foxx, swearing-in Betty Sutton as Administrator of the SLSDC. Her husband Doug Corwon holds their family Bible.*

Administrator Sutton represented Ohio's 13th Congressional District in the U.S. House of Representatives from 2007-2012 that included the Great Lakes Seaway System Ohio port of Lorain. While in Congress, she introduced the legislation for the "Cash for Clunkers" program. Ms. Sutton was a member of the Energy and Commerce Committee and was co-chair of the Congressional Jobs Task Force.

From 2001-2006, she worked as an Attorney at Faulkner, Muskovitz, & Phillips LLP. Ms. Sutton was a Representative in the Ohio State House of Representatives from 1993-2000. From 1991-1993, she was a member and then Vice President of the Summit County Council. Ms. Sutton served as a member of the Barberton City Council from 1990-1991. She received a B.A. from Kent State University and a J.D. from the University of Akron School of Law.

### SLSDC Maintains ISO 9001:2008 Certification

In June 2013, the SLSDC successfully completed a two-day surveillance audit of its International Standards Organiza-

tion (ISO) 9001:2008 certified quality management system, conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The ISO 9001:2008 standard focuses on self-assessment, ongoing improvements, and performance metrics.

Areas for improvement were identified related to the management of computerized maintenance system records, as well as compliance with procedures for conducting internal audits. Additionally, activities regarding the scheduling and planning for the certification renewal in FY 2013 were addressed.

In 1998, the SLSDC began the process of certifying its operational business practices through internationally recognized ISO standards. 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 ISO.

The SLSDC's certification is internationally recognized and complements the agency's marketing and trade development efforts overseas. Customer feedback is taken seriously and improvements are made as a result. Maintaining ISO certification has kept Corporation officials focused on finding better ways of operating the waterway, and recognizing how agency initiatives and decisions affect its customers, both internally and externally. 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 agency's mission.

### SLSDC Employees Receive USDOT Secretarial Awards

On November 15, 2012, former U.S. Transportation Secretary LaHood recognized two SLSDC employees at the Department's 45th Annual Awards Ceremony. Sandy Haggett, Program Analyst, and Chris Phillips, Information Technology Specialist, both received the Secretary's Excellence Award. This award is given to USDOT employees who have achieved outstanding performance in all aspects of their work and deserve special commendation.

Ms. Haggett was given the award based on her multiple administrative and programmatic responsibilities including

## MANAGEMENT INITIATIVES (Cont.)



Anita Blackman (left), SLSDC Senior Advisor to the Administrator, former U.S. Secretary of Transportation Ray LaHood, Chris Phillips, SLSDC Information Technology Specialist; and Craig Middlebrook (far right), SLSDC Deputy Administrator accept their awards during the U.S. Department of Transportation's 45th Annual Ceremony.

budget compliance and recordkeeping and her work as a Control Manager for the SLSDC's ISO Quality Assurance Program. Mr. Phillips accomplished several

major initiatives to significantly advance the SLSDC's information technology environment in Massena. He led the Corporation during the testing and implementation of new IT systems as part of the SLSDC's ARP and managed the agency's upgrade of its Massena-based IT infrastructure.

### SLSDC Serves on GLMRI Advisory Board

During FY 2013, the SLSDC continued to serve as a member of the Advisory Board of the Great Lakes Maritime Research Institute (GLMRI). The GLMRI was established in 2004 as a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth and includes affiliate universities around the Great Lakes region. Its mission is to develop and improve economically and environmentally sustainable maritime commerce on the Great Lakes through applied research. Other GLMRI board members include the U.S. Maritime Administration, USCG, U.S. Army Corps of Engineers, Great Lakes Commission, Lake Carriers' Association, American Great Lakes Ports Association, and Society of Naval Architects and Marine Engineers.

### USDOT Leadership Visits

#### SLSDC Massena Operations

On May 23, 2013, former U.S. Transportation Secretary Ray LaHood, joined by former Deputy Secretary John Porcari, visited SLSDC employees in Massena, N.Y. After 4½ years as Secretary, Mr. LaHood made a special trip to Massena before his tenure came to an end on July 1, 2013. He personally thanked SLSDC employees and told them how



SLSDC lock employees enjoyed showing the former U.S. Secretary of Transportation, Ray LaHood (middle), and former Deputy Secretary John Porcari (far right) the operations of the Eisenhower Lock.

impressed he was with the organization's operation and safety record. He told employees at an all-hands meeting that the USDOT is committed to preparing the U.S. Seaway locks for the future and it is clear that this vital infrastructure is in good hands. Mr. LaHood also acknowledged the retirement of Carol Fenton as SLSDC's Associate Administrator for Strategic Planning & Programs after a 35-year career.

### SLSDC and SLSMC Continue Joint Strategic and Business Development Initiatives

During FY 2013, the SLSDC and SLSMC continued work on their joint strategic and business development initiatives to ensure that the two Seaway governing entities continue to improve customer service and reduce costs. SLSDC and SLSMC officials met on May 28, 2013, by video teleconference.

SLSDC and SLSMC senior managers delivered presentations in the areas of stakeholder engagement, business growth, and operational initiatives. Group discussions focused on coordination between the two agencies for continued service improvement, including follow-up on a number of priorities established at earlier joint sessions. Other topics at the meetings included: an update on the hands free mooring project, alignment of asset renewal plans, organizational changes, "Jobs of the Future" updates, and a review of joint marketing activities.

### SLSDC Welcomes Two New Advisory Board Members

On January 23, 2013, former U.S. Department of Transportation Secretary Ray LaHood swore in two new SLSDC



## MANAGEMENT INITIATIVES (Cont.)

Advisory Board Members – William J. Mielke, of Wisconsin and Dr. Arthur H. Sulzer, Ed.D. Captain USN (Ret) of Pennsylvania.

Mr. Mielke is Chairman of the Board, President, and Chief Executive Office of Ruekert/Mielke, a consulting engineering company located in Pewaukee, Wis. He has been a director of Bank Mutual Corporation since 2000, and its subsidiary, Bank Mutual, since 1988. Mr. Mielke is also a Fellow of the American Consulting Engineers Council and served as a diplomat of the American Academy of Environmental Engineers. From 2006-2007, he was a member of the Special Committee on the Great Lakes Water Resources Compact. He earned a B.S. in Civil Engineering from the University of Wisconsin-Madison and is a registered Professional Engineer and Land Surveyor.



*Former U.S. Secretary of Transportation, Ray LaHood, administers the oath to William Mielke, SLSDC Advisory Board member.*

Dr. Arthur H. Sulzer is President of Arthur H. Sulzer Associates, Inc., a position he has held since 2001. From 1974-2005, Captain Sulzer served in the U.S. Navy. His active



*Former U.S. Secretary of Transportation, Ray LaHood, administers the oath to Captain Arthur Sulzer, SLSDC Advisory Board member, as his wife, Betsy, holds the family Bible.*

duty assignments included Operation Iraqi Freedom and Operation Enduring Freedom, where he commanded the U.S. Naval Ship Comet. In 2003, Captain Sulzer joined several colleagues to open Maritime Academy Charter High School in Philadelphia, Pa. He has also taught at various institutions and is a USCG Licensed Ships Master and Third Assistant Engineer. Captain Sulzer earned a B.S. in Marine Transportation and an M.S. in Transportation Management and Maintenance from the State University of New York Maritime College, an M.B.A. in Finance from Hofstra University, and an Ed.D. from the University of Pennsylvania.

### **SLSDC Continues to Provide Important Operational Information via Website and Social Media**

In FY 2013, the SLSDC and SLSMC remained committed to implementing new technologies that improve the safety, security, and economic efficiency of the St. Lawrence Seaway transit experience. Likewise, the two Corporations have been working to deploy new technologies on the Internet to better reach Seaway stakeholders and all other interested constituents.

In January 2013, the binational Seaway website ([www.greatlakes-seaway.com](http://www.greatlakes-seaway.com)) began featuring enhanced displays of water levels, temperatures, wind speeds, and other real-time Great Lakes-Seaway environmental data. This improvement complemented other FY 2013 enhancements to the binational site, including updated graphics, a more sophisticated tablet-ready interface, and deployment of social media “share” functionality, allowing Seaway-specific content to be instantly engaged on Facebook, Twitter, Instagram, and other web 2.0 technologies.

The SLSDC’s implementation of its Facebook page in June 2012 has been successful in reaching new audiences. Available at [www.fb.com/usdotslsc](http://www.fb.com/usdotslsc), the SLSDC’s Facebook page has already become a hub of information for the SLSDC and a clearinghouse for information on new and exciting developments within the Great Lakes Seaway System. Since its launch, the SLSDC Facebook page has posted over 600 unique posts, photos, and other content; is reaching between 100-500 people per day and has received over 300 individual “likes.”

## SLSDC Launches “Jobs of the Future”

**Initiative** – Given the real and anticipated advancements in technology impacting how the SLSDC conducts its business, the SLSDC formally launched in May 2013 its “Jobs of the Future” initiative to address its future operational and maintenance workforce needs. A similar initiative was successfully implemented by the Canadian SLSMC several years ago to broaden the skill sets of its operations and maintenance workforce to meet today’s working requirements.

The goal of this initiative is to increase lock operations and maintenance productivity and skill sets ultimately improving service to SLSDC customers. SLSDC officials have identified this opportunity to more effectively manage the work performed by SLSDC lock personnel when vessels are not transiting the locks. Skilled trades support (electrician/electronics or millwright) will be assigned to each lock crew to operate the lock equipment for the purpose of troubleshooting and performing specific routine maintenance. Maintenance issues will be diagnosed and repaired by qualified Lock Operations employees during times when full maintenance crews are not available.

The SLSDC will offer development programs to train internal or external skilled trades recruits in all areas of responsibilities of a skilled trades employee, including technical skills in the areas of control systems (mechanical and electrical) and the operation of Seaway locks.

SLSDC management and labor officials met throughout FY 2013 to establish core skills and competencies for the future and then focus on communicating and applying these profiles to address workforce turnover and development through training, employee advancement, career and succession planning.

## SLSDC FY 2013 Performance Measures and Results

### Safety–

**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 2012 season, with 232 vessel inspections conducted by SLSDC person-

nel. In 2013, through September 30, 149 vessel inspections had been completed.

### Reliability–

**System Availability** – “Ensure the reliability and availability 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 availability. The goal was achieved during the 2012 season with an availability rate of 99.4 percent. System availability during the 2013 navigation season, through September 30, was 99.2 percent. Final FY 2013 system availability was 99.1 percent.

**Lock Equipment Maintenance** – “Minimize vessel delays due to lock equipment failure or malfunction.” The goal each year is zero hours of delay. In 2012, the goal was not met when the SLSDC recorded 9 hours, 13 minutes of lock-related delays. Lock-related delays in 2013, through September 30, totaled 14 hours, 5 minutes. Final FY 2013 lock-related delays totaled 17 hours, 12 minutes.

### Management Accountability–

**Administrative Expenses** – “Reduce the administrative overhead expense ratio of total operating expenses, excluding ARP projects, depreciation, and imputed expenses, to 25 percent or lower.” The administrative expense ratio goal was met in FY 2013 at 21 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 2013 with a year-end balance of \$13.4 million.

**Financial Audit Opinion** – “Achieve an unqualified opinion (clean audit) in the independent examination of financial statements as well as no instances of non-compliance with laws and regulations or material weaknesses in internal control as they relate to financial reporting.” The goal was achieved in FY 2013 as the Corporation received its 49th consecutive unqualified opinion of its financial statements for FY 2012 with no material weaknesses or reportable conditions in October 2012.

## CORPORATION'S STATEMENT ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL SYSTEM

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the 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, 2013 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, 2013, 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 2013 and prior years.

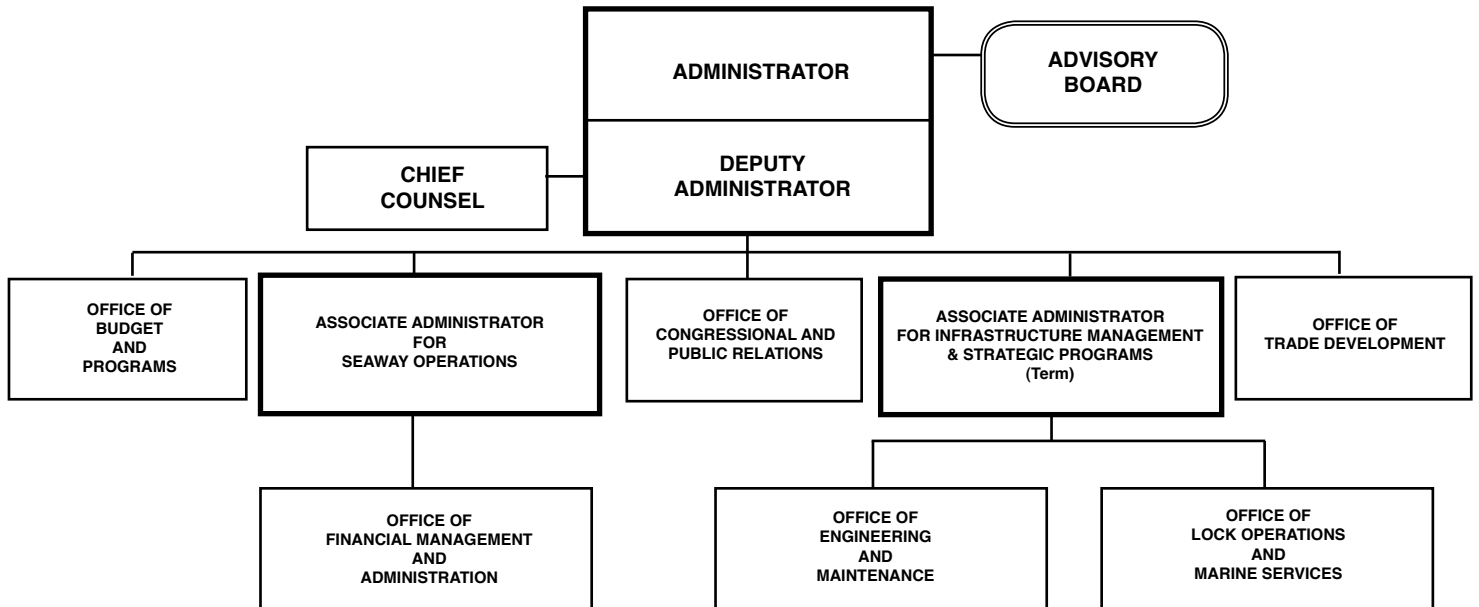


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see document pages 3-20)

# ORGANIZATIONAL CHART

## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION



## ADVISORY BOARD

The SLSDC has a statutorily mandated five-member Advisory Board, which reviews the general policies of the SLSDC and advises the Administrator with respect to these policies. The members of the Advisory Board are appointed by the President with the advice and consent of the U.S. Senate (*confirmation hearing before the Senate Committee on Science, Commerce, and Transportation*). Not more than three of the members shall belong to the same political party. Members of the Advisory Board receive per diem and travel expenditures for the times when the Board meets. The Advisory Board must meet at least once every 90 days. There are currently four active members sitting on the SLSDC's Advisory Board:

**David J. McMillan**, Chairman

*Senior Vice President, Marketing, Regulatory and Public Affairs, ALLETE, Inc. - Duluth, Minn.*

**William J. Mielke**

*Chairman of the Board, President, and CEO, Ruekert/Mielke - Waukesha, Wis.*

**Wenona T. Singel**

*Assistant Professor of Law, Michigan State University College of Law - East Lansing, Mich.*

**Arthur H. Sulzer** Ed.D., Captain USN-Ret.

*Arthur H. Sulzer Associates, Inc. - Glen Mills, Pa.*



**U.S. Department of Transportation  
Saint Lawrence Seaway Development Corporation**



**800-785-2779**

**[www.greatlakes-seaway.com](http://www.greatlakes-seaway.com)**

**[www.fb.com/usdotslsdc](https://www.facebook.com/usdotslsdc)**