



094212

REPORT TO THE CONGRESS

Audit Of Financial Statements
Of Saint Lawrence Seaway
Development Corporation
Calendar Year 1973 B-125007

Department of Transportation

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

~~710698~~
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JULY 9, 1974

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-125007

61 To the President of the Senate and the
Speaker of the House of Representatives

The accompanying report presents the opinion of the General Accounting Office on the financial statements of the Saint Lawrence Seaway Development Corporation for the year ended December 31, 1973. 572

The audit was made pursuant to the Government Corporation Control Act (31 U.S.C. 841) and the Department of Commerce and Related Agencies Appropriation Act, 1961 (74 Stat. 101), which require the Comptroller General to make an annual audit of the Corporation and to submit the audit report directly to the Congress.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Transportation; and the Administrator, Saint Lawrence Seaway Development Corporation.

Thomas P. Abate

Comptroller General
of the United States

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I Principal officials of the Department of
Transportation and the Saint Lawrence
Seaway Development Corporation, calendar
year 1973

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ABBREVIATIONS

GAO General Accounting Office

D I G E S T

WHY THE AUDIT WAS MADE

The Comptroller General is required by law to make an annual audit of the Saint Lawrence Seaway Development Corporation and to report directly to the Congress on the results.

bearing, as authorized by the Merchant Marine Act of 1970. The interest which would otherwise have been payable during 1973 was about \$4.9 million (approximate cost to the U.S. Treasury). (See p. 2.)

OPINION ON FINANCIAL STATEMENTS

In GAO's opinion the financial statements of the Corporation present fairly its financial position at December 31, 1973, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. (See p. 4.)

During calendar year 1973 the Corporation redeemed \$2.5 million in revenue bonds held by the U.S. Treasury. The Corporation, through December 31, 1973, redeemed \$12.7 million in outstanding revenue bonds and thereby reduced its bonded indebtedness to \$121.1 million. (See p. 2.)

The Congress authorized expenditures not to exceed \$797,000 for administrative expenses for fiscal year 1973. Actual administrative expenses totaled \$710,034--\$86,966 less than the statutory limitation. (See p. 2.)

OTHER MATTERS OF INTEREST

For calendar year 1973 the Corporation reported a net gain of \$2.6 million compared with a net gain of \$2.5 million in 1972. Seaway toll revenues were \$7.5 million in 1973 as compared to \$7.4 million reported in 1972. Cargo tonnage rose 7.3 percent over the previous year. (See p. 2.)

In December 1970 the Congress authorized the Corps of Engineers to determine a means of extending the navigation season of the Great Lakes and the Seaway and, in cooperation with the Corporation and other interests, to demonstrate the practicability of extending the season. The program is still in progress. (See p. 3.)

In October 1970 unpaid interest on the Corporation's bonds was forgiven and the bonds became non-interest-

RECOMMENDATIONS OR SUGGESTIONS

This report contains no recommendations or suggestions.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

This report is submitted to the Congress, as required by law, to disclose the results of the annual

audit of the Corporation's financial statements and such other information as necessary to keep the Congress informed of the operations and financial condition of the Corporation.

INTRODUCTION

The Saint Lawrence Seaway Development Corporation is a wholly owned Government corporation created and authorized by the act of May 13, 1954 (68 Stat. 93; 33 U.S.C. 981), as amended July 17, 1957, to construct, operate, and maintain a deepwater navigation works in the International Rapids section of the Saint Lawrence River and to perform necessary dredging in the Thousand Islands section.

The Seaway system is a United States-Canadian venture to provide deepwater navigation in the Saint Lawrence River from Montreal, Canada, to Lake Ontario by a series of locks and channels. The system consists of seven locks in Canadian and international waters. The Saint Lawrence Seaway Authority of Canada operates and maintains the four locks in Canadian waters and one of the locks in international waters. The Corporation operates and maintains the other two locks--the Dwight D. Eisenhower and Bertrand H. Snell locks.

An agreement between the Department of State and the Government of Canada provided that 27 percent of the revenues be distributed to the Corporation and 73 percent to the authority.

The Corporation submits an annual report on its activities for the calendar year to the Secretary of Transportation, who, in turn, submits it to the President.

COMMENTS ON SELECTED ACTIVITIES

RESULTS OF 1973 OPERATIONS

For calendar year 1973 the Corporation reported a net gain of \$2.6 million compared with a 1972 net gain of \$2.5 million. The increase was primarily due to increased revenues..

Seaway toll revenues increased from \$7,380,000 in 1972 to \$7,541,000 in 1973. This increase represented a 7.3 percent rise in cargo tonnage over the previous year.

INDEBTEDNESS TO THE U.S. GOVERNMENT

The Corporation was authorized to borrow \$140 million from the U.S. Treasury under interest-bearing revenue bonds and to redeem such borrowings at the Corporation's option. The Corporation's unpaid accrued interest, as well as all future interest on the bonded debt, was forgiven in October 1970 when the Congress passed the Merchant Marine Act of 1970 (33 U.S.C. 985). The interest which would otherwise have been payable during 1973 was about \$4.9 million (approximate cost to the U.S. Treasury).

Through December 31, 1973, the Corporation had borrowed \$133.8 million and had available further borrowing authority of \$6.2 million. At that date the Corporation had redeemed \$12.7 million of its outstanding revenue bonds and reduced its debt to \$121.1 million. The repayments included \$2.5 million paid in 1973 and \$10.2 million paid in previous years.

ADMINISTRATIVE EXPENSE LIMITATION

The Congress authorized expenditures not to exceed \$797,000 for administrative expenses for fiscal year 1973. Actual expenses were \$710,034 -- \$86,966 less than the statutory limitation.

TRAFFIC

The cargo transit for the Seaway between Montreal and Lake Ontario in 1973 amounted to a record 57.6 million tons compared with 53.7 million tons handled in 1972. The 1973 tonnage consisted of bulk cargo weighing 51.8 million tons,

an increase of 6 million tons from 1972, and general cargo weighing 5.8 million tons, a decrease of 2 million tons from 1972.

Bulk cargo transited in 1973 represented an alltime high; whereas general cargo tonnage was at a 7-year low.

NAVIGATION SEASON EXTENSION

The River and Harbor Act of 1970 (84 Stat. 1818), authorized the Corps of Engineers to determine the means of extending the navigation season of the Great Lakes and the Seaway and authorized \$6.5 million to be appropriated to the Corps to demonstrate the practicability of an extension. The act provided for the Corps to conduct the demonstration program in cooperation with the Departments of Transportation, the Interior, and Commerce--including specifically the Coast Guard, the Corporation, the Maritime Administration, and the Environmental Protection Agency--and other public or private interests. The act provided also for the Secretary of Commerce to study the possibility of providing reasonable insurance rates for shippers and vessels using the Great Lakes and the Seaway beyond the current navigation season, which is about 250 days.

The Secretary of Transportation announced that the initial goal of the program was to explore the possibility of extending the navigation season by at least 1 month.

The Corps allocated \$758,000 and transferred \$713,000 of appropriated funds to the Corporation through calendar year 1973. As of December 31, 1973, \$137,530 of these funds remained unexpended.

As in 1972 the Corporation's major 1973 season extension activities involved the installation of a gate in the Ogdensbury-Prescott ice boom. This gate provides a means of navigation through the boom without disrupting the ice cover established by the boom for the benefit of downstream electric power entities.

The Corporation also continued its monitoring and collection of ice cover information.

SCOPE OF EXAMINATION

Our examination of the Corporation's statement of financial condition at December 31, 1973, and the related statements of revenues and expenses and of source and application of funds for the year then ended was made in accordance with generally accepted auditing standards and included such tests of accounting records and such other auditing procedures as we considered necessary. The audit was conducted at the Corporation's office in Massena, New York.

By agreement between the authority and the Corporation, the billing and collection of tolls are the responsibility of the authority which accounts to the Corporation for the Corporation's share of the toll revenue.

OPINION ON FINANCIAL STATEMENTS

The financial statements and the notes to the financial statements were prepared by the Corporation for inclusion in its annual report for calendar year 1973. Our opinion, so far as it relates to Seaway toll revenues, is in part based on the examination and the report of the Auditor General of Canada.

Pursuant to the Merchant Marine Act, as of October 21, 1970, unpaid interest on the Corporation's bonds was forgiven and the bonds became non-interest-bearing. The interest which would otherwise have been payable during 1973 was about \$4.9 million (approximate cost to the U.S. Treasury).

In our opinion, the accompanying financial statements present fairly the financial position of the Corporation at December 31, 1973, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

SCHEDULE 1

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 1973 AND 1972

A S S E T S

	<u>1973</u>	<u>1972</u>
PLANT, PROPERTY, AND EQUIPMENT:		
Plant in service, at cost (sch. 5 and note 1)	\$125,621,823	\$124,935,389
Less accumulated depreciation (note 2)	<u>20,943,330</u>	<u>19,195,530</u>
Net plant in service	104,678,493	105,739,859
Work in progress	<u>142,305</u>	<u>95,894</u>
Total plant, property, and equipment	<u>104,820,798</u>	<u>105,835,753</u>
INVESTMENT IN SEAWAY INTERNATIONAL BRIDGE COMPANY:		
Debenture bonds--due December 31, 2012	<u>7,440</u>	<u>7,440</u>
CURRENT ASSETS:		
Cash (note 3 and note 5)	2,913,025	2,258,553
Time deposits in, and cash in transit to, minority banks (note 4)	600,000	360,000
Tolls and other receivables (net)	395,522	356,413
Inventories, at cost	<u>192,220</u>	<u>185,028</u>
Total current assets	<u>4,100,767</u>	<u>3,159,994</u>
Total assets	<u>\$108,929,005</u>	<u>\$109,003,187</u>

I N V E S T M E N T A N D L I A B I L I T I E S

INVESTMENT OF THE U.S. GOVERNMENT:

Revenue bonds outstanding (Authorized \$140,000,000, unissued \$6,200,000)	\$121,076,050	\$123,576,050
Deficit (note 6)	<u>-12,997,014</u>	<u>-15,581,338</u>
Net investment of U.S. Government	<u>108,079,036</u>	<u>107,994,712</u>
CURRENT LIABILITIES:		
Accounts payable	15,796	21,345
Accrued liabilities and deferred income (note 5)	<u>834,173</u>	<u>987,130</u>
Total current liabilities (note 7)	<u>849,969</u>	<u>1,008,475</u>
Total investment and liabilities	<u>\$108,929,005</u>	<u>\$109,003,187</u>

The notes on pages 12 and 13 are an integral part of this statement.

SCHEDULE 2

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
 COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
 FOR THE CALENDAR YEARS 1973 AND 1972

	<u>1973</u>	<u>1972</u>
REVENUES:		
Seaway tolls	\$7,541,456	\$7,380,063
Other	<u>197,955</u>	<u>122,179</u>
Total revenues	<u>7,739,411</u>	<u>7,502,242</u>
EXPENSES:		
Operations (sch. 6)	2,757,993	2,593,609
General administration (sch. 7)	722,623	712,447
Depreciation (note 2)	<u>1,674,471</u>	<u>1,650,007</u>
Total expenses	<u>5,155,087</u>	<u>4,956,063</u>
Net gain	<u>\$2,584,324</u>	<u>\$2,546,179</u>

The notes on pages 12 and 13 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF DEFICIT

AS OF DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Deficit at beginning of year	\$15,581,338	\$18,127,517
Gain for the year	<u>2,584,324</u>	<u>2,546,179</u>
Deficit at end of year	<u>\$12,997,014</u>	<u>\$15,581,338</u>

The notes on pages 12 and 13 are an integral part of this statement.

SCHEDULE 4

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR CALENDAR YEAR 1973

	<u>1973</u>
SOURCE:	
Revenues:	
Seaway tolls	\$7,541,456
Other	197,955
Proceeds from property disposals	<u>10,137</u>
	<u>\$7,749,548</u>
APPLICATION:	
Acquisition of assets	\$ 669,653
Operations expenses	3,480,616
Retirement of revenue bonds (U.S. Treasury)	2,500,000
Increase in working capital	<u>1,099,279</u>
	<u>\$7,749,548</u>

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
 COMPARATIVE STATEMENT OF PLANT, PROPERTY, AND EQUIPMENT
 AS OF DECEMBER 31, 1973 AND 1972

<u>Plant in service</u>	1973		1972	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land in fee	\$ 911,026	\$ -	\$ 911,026	\$ -
Land rights and re- locations	5,637,979	591,996	5,637,979	532,797
Locks	64,344,466	10,872,685	64,060,280	10,099,423
Roads and bridges	8,631,552	2,522,552	8,631,552	2,349,921
Channels and canals	36,146,207	3,780,671	36,051,634	3,401,136
Public use facilities	541,424	147,460	541,424	136,632
Navigation aids	1,333,136	239,464	1,218,970	126,694
Buildings, grounds, and utilities	4,042,094	1,136,112	4,030,608	1,055,270
Permanent operating equipment	<u>4,033,939</u>	<u>1,652,390</u>	<u>3,851,916</u>	<u>1,493,657</u>
Total	<u>\$125,621,823</u>	<u>\$20,943,330</u>	<u>\$124,935,389</u>	<u>\$19,195,530</u>

The notes on pages 12 and 13 are an integral part of this statement.

SCHEDULE 6

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF OPERATIONS EXPENSES

FOR THE CALENDAR YEARS 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Development and general operating expense	\$ 905,970	\$ 976,269
Operation of locks, canals and traffic control	856,062	670,526
Maintenance of navigation aids	79,764	76,088
Maintenance of plant and equipment	<u>916,197</u>	<u>870,726</u>
Total	<u>\$2,757,993</u>	<u>\$2,593,609</u>

The notes on pages 12 and 13 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF ADMINISTRATIVE EXPENSES

FOR THE CALENDAR YEARS 1973 AND 1972

<u>Type of expense</u>	<u>1973</u>	<u>1972</u>
Personnel compensation	\$532,397	\$526,649
Personnel benefits	41,669	41,965
Travel and transportation	35,509	40,023
Rents, communications, and utilities	46,696	34,151
Printing and reproduction	9,673	7,640
Other services	33,583	45,883
Supplies and materials	<u>23,096</u>	<u>16,136</u>
Total	<u>\$722,623</u>	<u>\$712,447</u>

The notes on pages 12 and 13 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. 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 related permanent features of the Seaway.
2. The straight-line method of depreciation is used and is computed on balances in plant in service. Accumulated reserves are accounted for on a composite basis by groups of assets. The cost of plant retired, including the cost of removal, less salvage is charged against the reserves. Neither depreciation nor amortization allowances have been provided for lands in fee.
3. To preserve the Corporation's borrowing authority to meet future emergency cash requirements, revenues have been retained to provide working capital during the winter non-navigation season. These revenues are deposited in the Corporation's account with the U.S. Treasury.
4. To support the President's Minority Bank Deposit Program, the Corporation deposited official funds in a number of minority banks throughout the United States. It's hoped that such funds will expand opportunities for minority business enterprises. All deposits are insured by the Federal Deposit Insurance Corporation.
5. The Congress authorized the Corps of Engineers to determine the means of extending the navigation season of the Great Lakes and the Seaway and to demonstrate the practicability of extending the season (River and Harbor Act of 1970, 84 Stat. 1818). A portion of the funds appropriated to the Corps is allocated to the Corporation as one of the participating agencies in the Demonstration Program.

At December 31, 1973, \$137,530 of appropriated funds received under this program remained unexpended and was included in accrued liabilities and reflected in cash.

6. The deficit of \$12,997,014 is the net accumulation since the opening of the Seaway in 1959 and reflects the excess of expenses over revenues, including some \$20,943,330 in accumulated depreciation.

7. At December 31, 1973, there were no outstanding claims pending against the Corporation. In addition to the current liabilities at December 31, 1973, there were undelivered orders and contracts amounting to \$336,774 which included \$63,784 for the Demonstration Program.

PRINCIPAL OFFICIALS OF THE
DEPARTMENT OF TRANSPORTATION AND THE
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
CALENDAR YEAR 1973

Effective date
of appointment

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION:

Claude S. Brinegar

February 1973

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

ADMINISTRATOR:

David W. Oberlin

August 1969

ASSISTANT ADMINISTRATOR:

Brendon T. Jose (Retired June 29, 1973)

June 1964

William H. Kennedy

October 1973

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