

094095 B-125007



# REPORT TO THE CONGRESS

## Audit Of Financial Statements Of Saint Lawrence Seaway Development Corporation Calendar Year 1972 B-125007

Department of Transportation

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

~~710991~~ 094095

JUNE 29, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-125007

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

1 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 572  
ended December 31, 1972

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

Copies of this report are being sent to the Director,  
Office of Management and Budget, the Secretary of Transporta-  
tion, and the Administrator, Saint Lawrence Seaway Development  
Corporation

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

C o n t e n t s

	<u>Page</u>
DIGEST	1
INTRODUCTION	3
COMMENTS ON SELECTED ACTIVITIES	4
Results of 1972 operations	4
Indebtedness to the U S Government	4
Administrative expense limitation	4
Traffic	4
Navigation season extension	5
SCOPE OF EXAMINATION	6
OPINION ON FINANCIAL STATEMENTS	7
FINANCIAL STATEMENTS	
Schedule	
1    Comparative statement of financial condition as of December 31, 1972 and 1971	11
2    Comparative statement of revenues and expenses for the calendar years 1972 and 1971	12
3    Comparative statement of deficit as of December 31, 1972 and 1971	13
4    Statement of source and application of funds for calendar year 1972	14
5    Comparative statement of plant, property, and equipment as of December 31, 1972 and 1971	15
6    Comparison of operations expenses for the calendar years 1972 and 1971	16
7    Comparison of administrative expenses for the calendar years 1972 and 1971	17
Notes to financial statements	18

APPENDIX

Page

Principal officials of the Department of  
Transportation and the Saint Lawrence  
Seaway Development Corporation, calendar  
year 1972

23

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

OPINION ON FINANCIAL STATEMENTS

In GAO's opinion, the financial statements of the Corporation present fairly its financial position at December 31, 1972, 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 7 )

OTHER MATTERS OF INTEREST

Toll revenues were \$7.4 million in 1972 and 1971, and 1972 cargo tonnage rose 15 percent over the prior year. (See p. 4.)

For calendar year 1972, the Corporation reported a gain of \$2.5 million compared with a gain of \$3 million in 1971

In October 1970, unpaid interest on the Corporation's bonds was forgiven and the bonds became non-interest-bearing, as authorized by the Mer-

chant Marine Act of 1970. The interest which would otherwise have been payable during 1972 was about \$4.9 million (approximate cost to the Treasury) (See p 4 )

During calendar year 1972 the Corporation redeemed \$4 million in revenue bonds held by the Treasury. The Corporation, at December 31, 1972, redeemed \$10.2 million in outstanding revenue bonds and thereby reduced its bonded indebtedness to \$123.6 million (See p 4 )

The Congress authorized expenditures not to exceed \$749,000 for administrative expenses for fiscal year 1972. Actual administrative expenses totaled \$742,013--\$6,987 less than the statutory limitation (See p 4 )

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 5 )

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 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 the 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 1972 OPERATIONS

For calendar year 1972 the Corporation reported a net gain of \$2.5 million, compared with a 1971 gain of \$3 million. The decrease was primarily due to a \$500,000 increase in expenses.

Toll revenues decreased, from \$7,389,000 in 1971 to \$7,380,000 in 1972, although cargo tonnage increased 15 percent over the prior year. This was due to a decrease in general cargo tonnage and an increase in bulk cargo tonnage for which the toll rate is less than half the general cargo rate

### 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 1972 was about \$4.9 million (approximate cost to the Treasury)

Through December 31, 1972, the Corporation had borrowed \$133.8 million and had available further borrowing authority of \$6.2 million. At that date the Corporation had redeemed \$10.2 million of its outstanding revenue bonds and reduced its debt to \$123.6 million. The repayments included \$4 million paid in 1972 and \$6.2 million paid in prior years.

### ADMINISTRATIVE EXPENSE LIMITATION

The Congress authorized expenditures not to exceed \$749,000 for administrative expenses for fiscal year 1972. Actual expenses were \$742,013--\$6,987 less than the statutory limitation.

### TRAFFIC

The cargo transit for the Seaway between Montreal and Lake Ontario in 1972 amounted to a record 53.7 million tons compared with 52.9 million tons handled in 1971. The 1972 tonnage consisted of bulk cargo weighing 45.8 million tons, an increase of 1.5 million tons over the prior year, and general cargo weighing 7.9 million tons, a decrease of 0.7 million from 1971.



During the last 10 years, the number of commercial transits has generally decreased while cargo tonnage has increased. This inverse relationship is probably due to the increased size of vessels transiting the Seaway.

#### 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 \$65 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.

In 1972 the Corps of Engineers allocated \$649,000 of appropriated funds to the Corporation. Of this total, \$636,093 was transferred to the Corporation during the year. As of December 3, 1972, \$473,475 remained unexpended.

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

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

## SCOPE OF EXAMINATION

Our examination of the Corporation's statement of financial condition at December 31, 1972, 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 1972. 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 1972 was about \$4.9 million (approximate cost to the Treasury).

In our opinion, the accompanying financial statements present fairly the financial position of the Corporation at December 31, 1972, 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.

FINANCIAL STATEMENTS

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 1972 AND 1971

A S S E T S

	<u>1972</u>	<u>1971</u>
PLANT, PROPERTY, AND EQUIPMENT		
Plant in service, at cost (sch 5 and note 1)	\$124,935,389	\$124,675,602
Less accumulated depreciation (note 2)	<u>19,195,530</u>	<u>17,675,758</u>
Net plant in service	105,739,859	106,999,844
Work in progress	<u>95,894</u>	<u>45,537</u>
Total plant, property, and equipment	<u>105,835,753</u>	<u>107,045,381</u>
INVESTMENT IN SEAWAY INTERNATIONAL BRIDGE COMPANY		
Debenture bonds--due December 31, 2012	<u>7,440</u>	<u>7,440</u>
CURRENT ASSETS		
Cash (notes 3 and 4)	2,618,553	2,545,013
Tolls and other receivables (net)	356,413	142,064
Inventories, at cost	<u>185,028</u>	<u>168,357</u>
Total current assets	<u>3,159,994</u>	<u>2,855,434</u>
Total assets	<u>\$109,003,187</u>	<u>\$109,908,255</u>

The notes on pages 18 and 19 are an integral part of this statement.

SCHEDULE 1

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

	<u>1972</u>	<u>1971</u>
INVESTMENT OF THE U S GOVERNMENT		
Revenue bonds outstanding (autho- rized \$140,000,000, unissued \$6,200,000)	\$123,576,050	\$127,576,050
Deficit (notes 5 and 6)	<u>-15,581,338</u>	<u>-18,127,517</u>
Net investment of U S Govern- ment	<u>107,994,712</u>	<u>109,448,533</u>
CURRENT LIABILITIES		
Accounts payable	21,345	11,171
Accrued liabilities and deferred in- come (note 4)	<u>987,130</u>	<u>448,551</u>
Total current liabilities (note 7)	<u>1,008,475</u>	<u>459,722</u>
Total investment and liabilities	<u>\$109,003,187</u>	<u>\$109,908,255</u>

## SCHEDULE 2

## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

## COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

FOR THE CALENDAR YEARS 1972 AND 1971

	<u>1972</u>	<u>1971</u>
REVENUES		
Seaway tolls	\$7,380,063	\$7,388,553
Other	<u>122,179</u>	<u>84,389</u>
Total revenues	<u>7,502,242</u>	<u>7,472,942</u>
EXPENSES		
Operations (sch 6)	2,593,609	2,130,341
General administration (sch 7)	712,447	623,166
Depreciation (note 2)	<u>1,650,007</u>	<u>1,626,292</u>
Total expenses	<u>4,956,063</u>	<u>4,379,799</u>
Net gain for the year before lock rehabilitation charges	2,546,179	3,093,143
Lock rehabilitation charges (note 5)	<u>-</u>	<u>-70,823</u>
Net gain	<u>\$2,546,179</u>	<u>\$3,022,320</u>

The notes on pages 18 and 19 are an integral part of this statement

## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF DEFICIT  
AS OF DECEMBER 31, 1972 AND 1971

	<u>1972</u>	<u>1971</u>
Deficit at beginning of year	\$18,127,517	\$21,149,837
Gain (-) or loss for the year	-2,546,179	-3,093,143
Lock rehabilitation charges for the year (note 5)	<u>-</u>	<u>70,823</u>
Total deficit at end of year	<u>\$15,581,338</u>	<u>\$18,127,517</u>

The notes on pages 18 and 19 are an integral part of this statement



SCHEDULE 4

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR CALENDAR YEAR 1972

SOURCE

Revenues	
Seaway tolls	\$7,380,063
Other	122,179
Proceeds from property disposals	2,278
Decrease in working capital	<u>244,193</u>
	<u>\$7,748,713</u>

APPLICATION

Acquisition of assets	\$ 442,657
Operations expenses	3,306,056
Retirement of revenue bonds (U.S Treasury)	<u>4,000,000</u>
	<u>\$7,748,713</u>

The notes on pages 18 and 19 are an integral part of this statement

## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF PLANT, PROPERTY, AND EQUIPMENT  
AS OF DECEMBER 31, 1972 AND 1971

Plant in service	1972		1971	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land in fee	\$ 911,026	\$ -	\$ 911,026	\$ -
Land rights and relocations	5,637,979	532,797	5,637,979	473,598
Locks	64,060,280	10,099,423	63,940,506	9,330,582
Roads and bridges	8,631,552	2,349,921	8,631,552	2,177,290
Channels and canals	36,051,634	3,401,136	35,986,060	3,022,594
Public use facilities	541,424	136,632	541,424	125,804
Navigation aids	1,218,970	126,694	1,307,523	207,043
Buildings, grounds, and utilities	4,030,608	1,055,270	4,026,910	974,658
Permanent operating equipment	<u>3,851,916</u>	<u>1,493,657</u>	<u>3,692,622</u>	<u>1,364,189</u>
Total	<u>\$124,935,389</u>	<u>\$19,195,530</u>	<u>\$124,675,602</u>	<u>\$17,675,758</u>

The notes on pages 18 and 19 are an integral part of this statement

SCHEDULE 6

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF OPERATIONS EXPENSES  
FOR THE CALENDAR YEARS 1972 AND 1971

<u>Type of expenses</u>	<u>1972</u>	<u>1971</u>
Development and general operating expense	\$ 976,269	\$ 789,703
Operation of locks, canals, and traffic control	670,526	630,023
Maintenance of navigation aids	76,088	60,351
Maintenance of plant and equipment	<u>870,726</u>	<u>650,264</u>
Total	<u>\$2,593,609</u>	<u>\$2,130,341</u>

The notes on pages 18 and 19 are an integral part of this statement.

## SAINT LAWRENCE SEAWAY DEVELOPMLNT CORPORATION

COMPARISON OF ADMINISTRATIVE EXPENSES  
FOR THE CALENDAR YEARS 1972 AND 1971

<u>Type of expenses</u>	<u>1972</u>	<u>1971</u>
Personnel compensation	\$526,649	\$427,766
Personnel benefits	41,965	40,672
Travel and transportation	40,023	23,375
Rents, communications, and utilities	34,151	33,665
Printing and reproduction	7,640	8,246
Other services	45,883	70,559
Supplies and materials	<u>16,136</u>	<u>18,883</u>
Total	<u>\$712,447</u>	<u>\$623,166</u>

The notes on pages 18 and 19 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 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.

During 1972 the Corporation was allocated appropriated funds in the amount of \$649,000 from the Corps. Of this total, \$636,093 was actually transferred to the Corporation during the year. At December 31, 1972, \$473,475 remained unexpended and is included in accrued liabilities and reflected in cash at December 31, 1972.

- 5 During calendar year 1967, the Corporation undertook an emergency rehabilitation program to repair deterioration in the lock structures and in the vehicular tunnel. The critical repair work was accomplished by December 31, 1971, and the lock structures are in a safe operating condition. Accordingly, the structural repair work in 1972 is included as a routine maintenance expense on the statement of revenues and expenses.
- 6 The deficit of \$15,581,338 is the net accumulation since the opening of the Seaway in 1959 and reflects the excess of expenses over revenues, including some \$19,195,530 in accumulated depreciation.

- 7 At December 31, 1972, there were no outstanding claims pending against the Corporation. In addition to the current liabilities at December 31, 1972, there were undelivered orders and contracts amounting to \$160,177, which includes \$30,787 for the Demonstration Program.

APPENDIX

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF TRANSPORTATION AND THE  
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION  
CALENDAR YEAR 1972

Effective date  
of appointment

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION  
John A Volpe

Jan 1969

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

ADMINISTRATOR  
David W Oberlin

Aug 1969

ASSISTANT ADMINISTRATOR  
Brendon T Jose

June 1964



Copies of this report are available at a cost of \$1 from the U S General Accounting Office, Room 6417, 441 G Street, N W , Washington, D C 20548 Orders should be accompanied by a check or money order Please do not send cash

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students

**AN EQUAL OPPORTUNITY EMPLOYER**

**UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D C 20548**

**OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE \$300**

**POSTAGE AND FEES PAID  
U. S. GENERAL ACCOUNTING OFFICE**



**SPECIAL FOURTH-CLASS RATE  
BOOK**