Saint Lawrence Seaway Development Corporation
Fiscal Year 2009 Annual Report

ST. LAWRENCE SEAWAY

1959 50 2009

A vital waterway...past, present and future

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Letter from the Administrator

Dear Seaway Stakeholder:

In accordance with the Chief Financial Officer's Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report of the Saint Lawrence Seaway Development Corporation (SLSDC) for the Fiscal Year (FY) ending September 30, 2009.

This report clearly presents the financial integrity and operational accomplishments of the Corporation during FY 2009. The first section of the report was prepared by the SLSDC to provide information on the agency, its mission, and the successes of its performance measures. The second section consists of FY 2009 audited financial statements with associated notes and the audit reports of Chiampou Travis Besaw & Kershner LLP, Certified Public Accountants and Consultants.

The Seaway serves a vast region that accounts for 40 percent of U.S. manufacturing and produces one third of Canada's industrial output. Since the Seaway's opening in 1959, more than 2.5 billion tons of cargo with an estimated value of $375 billion has been shipped through the waterway from more than 50 nations. Maritime commerce overall on the Great Lakes St. Lawrence Seaway System annually generates 150,000 jobs, $4.3 billion in personal income, $3.4 billion in business revenues, and $1.3 billion in federal, state, and local taxes in the U.S. Great Lakes region. The Great Lakes St. Lawrence Seaway System annually saves shippers nearly $3.6 billion in transportation and handling charges that they would otherwise have incurred had they used other modes of transportation. Waterborne shipping is a fuel and energy efficient, environmentally-friendly and safe mode of transportation.

The St. Lawrence Seaway celebrated its 50 year anniversary of operation this year. While it is important to remember past accomplishments, we are prepared to meet tomorrow's needs and challenges in order to remain competitive for the next half-century and beyond. By fostering innovation and international cooperation and by reinvesting in the Seaway's infrastructure we are well positioned to enter into the next 50 years.

The Seaway is preparing for the future by renewing aging infrastructure, by adopting new marine technologies that make the waterway safer and allow for the transport of more cargoes, by promoting ballast water treatment efforts to better protect the environment of the Great Lakes, and by utilizing the benefits of Highway H_20 and short sea shipping to improve supply chain management in North America. These collective efforts provide the opportunity to reinforce our role in domestic, binational, and international commerce and to address the changes required for the Seaway to remain a vital international transportation route.

The SLSDC is committed to providing its customers a safe and competitive transportation route for moving goods to and from North America.

Sincerely,

Collister Johnson, Jr.

Overview

Authority

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly-owned government corporation and an operating administration of the U.S. Department of Transportation (DOT), 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 SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization. The Great Lakes Seaway System annually sustains more than 150,000 U.S. jobs, $4.3 billion in personal income, $3.4 billion in transportation–related business revenue, and $1.3 billion in federal, state, 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 interacts directly with numerous Canadian government and private entities as it carries out its mission. The SLSDC coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC), with respect to rules and regulations, overall day-to-day 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 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 the Canadian SLSMC.

Vision Statement

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

Core Organizational Values

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

Financial Highlights for FY 2009

The financial statements have been prepared to report the financial position and results of operations of the Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), 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 investment 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. The Water Resources Development Act 1986, P.L. 99-662, which created the Harbor Maintenance Trust Fund (HMTF), made a significant change to Corporation financing. The Act required the U.S. Treasury to rebate the portion of Seaway tolls paid by users for transiting the U.S. locks. 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.

Selected Financial Indicators

(in thousands of dollars)

For the years ended September 30	2009	2008	Change $	Change %
Operating revenues	$ 29,705	$ 17,122	$ 12,584	73
Appropriations expended	29,005	16,410	12,596	77
Other	700	712	(12)	(2)
Operating expenses	19,323	15,918	3,405	21
Personnel services and benefits	12,947	12,607	340	3
Other	6,376	3,311	3,065	93
Imputed financing/expenses	934	872	62	7
Total assets	107,819	96,196	11,623	12
Time deposits in minority banks	11,060	11,060	0	0
Short-term	9,789	8,907	882	10
Long-term	1,271	2,153	(882)	(41)
Interest income (minority banks)	373	510	(137)	(27)

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

Operating Revenues

Operating revenues, excluding imputed financing, totaled $29.7 million in FY 2009, a 73 percent increase. Appropriations expended, representing the amount of the HMTF expended for operating purposes, increased $12.6 million and other revenues decreased $12,000.

Operating Expenses

Overall operating expenses of $19.3 million, excluding depreciation and imputed expenses, increased 21 percent. Personnel services and benefits increased three percent, and other costs increased by 93 percent. Personnel services and benefits represented 67 percent of the Corporation's operating expenses in FY 2009.

Other costs of $6.4 million included $4.6 million for other contractual services; $839,000 for supplies and materials; $473,000 for rent, communications, and utilities; $254,000 for travel and transportation of persons and things; $134,000 for equipment not capitalized; and $31,000 for printing and reproduction.

The Corporation employed 141 people on September 30, 2009, including nine temporary employees.

Snell Lock 1957

Imputed Financing/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 $108 million. Plant, property and equipment are valued at $74 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling $11.1 million at year-end. An increase in short-term deposits of $882,000 was offset by a decrease in long-term deposits of $882,000. Lower interest rates led to a 27 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, 2009 of $14.5 million, comprised of $3.2 million of unused borrowing authority and the $11.3 million financial reserve. 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 derived 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 $6 million.

Specific operating expenditures for Agency Operations included $2.4 million for structural repair and extraordinary maintenance work, $700,000 for lock inspection and maintenance; $638,000 for special operating projects; $554,000 for building maintenance; $396,000 for general operating expenses; $376,000 for equipment, vehicle, and vessel maintenance; $260,000 for navigational aids maintenance; $258,000 for closing and opening the lock for winter repairs; $162,000 for groundskeeping; and $113,000 for training.

Two significant capital expenditures for Agency Operations included $335,000 for heavy equipment and $124,000 for light trucks.

Light and Heavy Equipment – A 20-ton capacity, all-terrain hydraulic crane utilized for lock and facility maintenance activities, including the handling of personnel and materials, was replaced. This crane had a very high utilization rate, was manufactured in 1985, and had exceeded the manufacturer's anticipated service life for the crane's major components. It was replaced to insure continued crane safety at Corporation work sites.

Light Trucks, Vans, and Vehicles – Four light trucks were replaced. The trucks are used to perform lock and facility maintenance, service aids to navigation along the St. Lawrence River, and perform vessel inspections and other miscellaneous functions in support of the Corporation's mission. The vehicles replaced were over 10 years old and/or were driven more than 100,000 miles and all had significant corrosion due to the salt used to melt ice from roads during winter.

SLSDC's Asset Renewal Program (ARP)

The SLSDC developed an Asset Renewal Program (ARP), as part of its FY 2009 budget request to Congress, to address the long-term asset renewal needs of the U.S. Seaway infrastructure. A perpetual infrastructure asset, such as a lock, needs 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 50 projects and equipment included in the ARP are estimated at $165 million (baseline plan and estimate) 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 authorized depth or width of the navigation channel or to the size of the two existing U.S. locks.

In FY 2009, the SLSDC obligated $17.6 million, including accrued expenditures and undelivered orders, for 21 Year One ARP projects. Of that amount, ARP expenditures totaled $3 million and included primary expenditures of $1.4 million to replace heavy equipment; $470,000 to upgrade and replace floating plant; $378,000 to dredge the navigation channels; $231,000 to rehabilitate mooring buttons, pins, and concrete along guidewalls and guardwalls and replace paving and drainage infrastructure; and $110,000 to replace roofs.

Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles and Shop Equipment – A 170-ton capacity all terrain hydraulic crane was purchased to be utilized for functions that were previously completed with a 75-ton capacity cable crane which was 33 years old. This crane will be utilized for repairing and replacing culvert valves and wire rope fenders and for installing and removing the lock roof cover modules used during winter maintenance periods. The greater capacity is required because it is a hydraulic crane and because the current crane has been operating near its capacity on critical picks. It was also necessary for the Corporation to purchase a used tractor and trailer to transport the crane's counterweights between job sites.

Corporation Equipment – Upgrade/Replace Floating Plant – The Corporation delivered its buoy barge to a drydock in Hamilton, Ont., for inspection and repair of the vessel's hull and components located below the waterline. The contractor blast cleaned and painted the hull, replaced damaged fendering, installed a new fathometer, and inspected the bow thruster propellers and fuel tanks.

In addition, the Corporation purchased a new hydrographic survey system and boat, motor and trailer to provide a portable platform from which to perform hydrographic surveys. Many of the hydrographic survey system components have been received and fabrication of the boat has begun. The Corporation is responsible for assuring that the navigational channels within U.S. waters in the Seaway are maintained to provide the minimum depth of water required for the Seaway's advertised draft. The existing system is antiquated and unreliable and the boat utilized as a platform for the existing equipment is a small tug which cannot be transported by trailer which makes hydrographic survey work more time consuming and expensive.

Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments and Dredge Intermediate Pool – A contractor began work for dredging approximately 115,000 cubic yards of sediments that are above the navigation channel bottom design grade from the intermediate pool between Eisenhower and Snell Locks. This material is being deposited at an upland spoil site north of the upstream guidewall at Snell Lock. This project also includes a contract with a firm to perform the pre- and post-dredge surveys for determining the amount of material removed from the navigation channel for payment purposes and to perform the inspection services to insure conformance with the project permits and specifications.

Both Locks – Rehabilitate Mooring Buttons, Pins, and Concrete along Guidewalls and Guardwalls/Corporation Facilities – Replace Paving and Drainage Infrastructure – Rehabilitation of the pavement at the Eisenhower Lock Visitors' Center parking area was completed by Corporation personnel cutting out and preparing the damaged areas and a contractor placing the new pavement. Also, as part of this project, engineering consultants completed topographical surveys of the areas to be included in the project and prepared designs, specifications, and drawings for improving the pavements and drainage in these areas. A contract was awarded and work has begun for raising settled mooring buttons, replacing deteriorated and damaged pavements, and improving drainage at the guidewalls, roadways and parking areas at the north sides of both Eisenhower and Snell Locks. The guidewalls are used by Corporation personnel and crew members from transiting vessels to secure vessels to these structures. The irregular surfaces and the water and ice collecting around the settled mooring buttons were becoming safety issues.

Corporation Facilities – Replace Roofs – A contractor replaced the roofs on both the upstream and downstream control house at Snell Lock. These roofs were leaking and some of the insulation under the roofing membrane was no longer secured to the masonry surface, which was causing ponding issues. Additionally, the existing roofs were no longer under warranty.

Significant Future Costs/Anticipated FY 2010 Accomplishments

Included in the SLSDC's FY 2010 budget request to Congress was a five-year ARP Capital Investment Plan. For the FY 2010-2014 time frame, the Seaway ARP includes 41 projects and equipment estimated at $92.2 million (baseline), 32 of which are multi-year projects, with total funding for each year of the plan constrained to funding targets for those years as estimated and approved by the Office of Management and Budget (OMB).

The Corporation's FY 2010 budget request included 20 Year Two ARP projects totaling $16.3 million. Some of the major projects include:

<u>Both Locks – Rehabilitate Downstream Miter Gates (Non-Capital Maintenance Project) (Baseline Estimate of $1.5 million)</u> – This project is to completely rehabilitate the miter gates at the downstream end of both Eisenhower and Snell Locks. It includes replacing worn and/or damaged components including the miter and quoin contact blocks, pintles, gate anchorages and diagonals to insure proper functioning of the miter gates.

<u>Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention (Non-Capital Maintenance Project) (Baseline Estimate of $5.8 million)</u> – This project is for rehabilitation of the structural components of the south span of the bridge between Rooseveltown, N.Y., and Cornwall Island, which crosses the Seaway navigation channel. The SLSDC owns 68 percent of the south span of the bridge. This work will stop the corrosion and prevent the need for replacing structural members if they were allowed to continue to corrode.

<u>Corporation Facilities – Replace Paving and Drainage Infrastructure (Capital Project) (Baseline Estimate of $1.5 million)</u> – This project is for improving the pavement and drainage along lock approach walls, Corporation roadways and public parking and work areas at all Corporation facilities. In Upstate New York, the damage to pavements caused by winter conditions is significant and 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.

<u>Snell Lock – Compressed Air Systems – Upgrade/Replace (Capital Project) (Baseline Estimate of $1.5 million)</u> – This project is for replacing the compressors and corroded piping at the Snell Lock which provides compressed air for various systems at the locks, for maintenance work and for air curtains and bubblers utilized to control ice in and around the locks during the opening and closing of the navigation seasons. The ability of the existing compressed air systems to provide the required volumes and/or pressures reliably is becoming a problem.

Aerial view of Eisenhower Lock

<u>Eisenhower Lock – Walls, Sills and Culverts – Rehabilitate Concrete (Non-Capital Maintenance Project) (Baseline Estimate of $2 million)</u> – 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. It is resurfacing the mass concrete that forms the locks walls, filling and emptying culverts and the gate sills by replacing concrete to depths ranging between approximately 8 inches and 24 inches.

Operational and Environmental Initiatives

SLSDC Continues to Meet Performance Levels for Foreign Vessel Inspections and Ballast Water Exams

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. These inspections focus on safety and environmental protection issues and occur in Montreal, Que., before the vessels enter U.S. waters. The SLSDC and the U.S. Coast Guard signed a Memorandum of Understanding (MOU) in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes St. Lawrence Seaway System. This MOU was developed in conjunction with the SLSMC and Transport Canada.

ESI inspections are jointly performed by the SLSDC and the SLSMC marine inspectors and cover both Seaway-specific fittings as well as port state control items identified by the U.S. Coast Guard as critical for the vessel to transit to a U.S. Great Lakes port of call. In the event major deficiencies are identified, Transport Canada is notified and the vessel is detained in Montreal until the deficiencies are cleared.

The proactive approach of the inspection program has been exceptionally 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, which allows for a more seamless and efficient transit of the Seaway and provides an excellent location for repair resources, if required.

The SLSDC's goal for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2008 navigation season, with 204 inspections conducted by SLSDC personnel. In 2009, through September 30, 136 vessel inspections had been completed.

Ballast water inspections continue to be an important function of the ship inspection program. In 2009, the inspection process, administered by the two Seaway entities, U.S. Coast Guard, and Transport Canada was enhanced and now subjects all ships for all transits (first and subsequent) outside the Canadian Exclusive Economic Zone (EEZ) to inspection. All tanks (ballast on board and no ballast on board) are targeted for inspection in order to verify proper saltwater exchange or flushing no matter their port of destination.

During the 2008 navigation season, Seaway marine inspectors conducted three ballast water inspections on ships in conjunction with the ESI program, and an additional 31 on subsequent voyages at the

U.S. Seaway locks in Massena, N.Y. In 2009, through September 30, joint agency inspectors conducted 213 ballast water inspections pre-entry, and an additional 28 subsequent transits in Massena.

SLSDC Co-Hosts Great Lakes Ballast Water Regulatory Forum in Detroit

On September 24, 2009, the SLSDC and the International Joint Commission co-hosted an information-sharing forum on ballast water issues in the Great Lakes St. Lawrence Seaway System. The forum was held in Detroit, Michigan, facilitated by representatives from the Minnesota Sea Grant and Great Lakes Commission and attended by representatives from State and Provincial Governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian regulatory agencies (U.S. Coast Guard, U.S. Environmental Protection Agency, U.S. National Park Service, U.S. National Oceanic and Atmospheric Administration, U.S. Geological Survey, Transport Canada, and Fisheries and Oceans Canada); senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and the leading academic ballast water researchers from Canada and the United States. The goals of the meeting were to share relevant information among the participants, increase dialogue among the key stakeholders involved in this issue, and to discuss ways of further reducing the risk of introduction and spread of invasive species through ballast water.

Seaway Agencies Participate in Completion of Joint Observational Study to Observe Environmental Impacts of Seaway Opening

In FY 2009, the SLSDC completed its participation in a three-year, multi-party, binational Joint Observational Study (JOS) looking at the potential physical impacts arising from icebreaking activities in support of commercial navigation on the St. Lawrence Seaway.

The JOS arose pursuant to a negotiated settlement of a lawsuit filed in 2004 by the U.S. St. Regis Mohawk Tribe (SRMT) against the SLSDC and the U.S. Department of Transportation (DOT). A similar lawsuit was filed against Transport Canada by the Canadian Mohawk Council of Akwesasne (MCA). At issue in the U.S. lawsuit was the Corporation's authority to determine when to open the Seaway and the administrative procedures that it is required to follow under the National Environmental Policy Act. A settlement agreement was reached after 19 months of negotiation in June 2006, and included representatives from the SLSDC, DOT, SLSMC, Transport Canada, SRMT, and MCA. As part of the settlement agreement, the parties agreed to a three-year JOS of fixed scope and cost to observe scientifically the environmental effects, if any, arising from opening the navigation season when ice is still present on the river.

A JOS Study Team was created and comprised of representatives from the SLSDC, SLSMC, Transport Canada, SRMT, and MCA. The Study Team was led by a project coordinator who was hired by the participating parties to oversee the day-to-day management and implementation of the JOS.

In FY 2009, the JOS Study Team successfully completed the third year of the mandated three years of observation and produced both an annual report and final study report that summarizes the observations and findings of the three years of study, including two years of icebreaking activities, and provides recommendations for future action.

The JOS Study Team, as detailed in its final report, reached five main conclusions:

1) Icebreaking operations are not required every year to open the Seaway;
2) Small scale, shallow water shoreline impacts occur for natural ice break-ups and clear-outs;
3) Ice-induced shoreline impacts, in comparison to the baseline for natural ice break-up and clear-out, were not observed for the two years of the study during which icebreakers were used to clear the Seaway;

4) The Freezing Degree Days method is not reliable as a standalone index to characterize the state of the ice cover or to gauge the potential severity of shoreline impacts; and
5) No shoreline physical impacts were reported by any landowners along the shoreline being studied during the three-year study.

The JOS Study Team provided four recommendations based on its experience and findings over the three years of the study:

1) An inclusive process, to include all parties associated with the JOS, should continue to be used when setting the Seaway opening date;
2) The current ice-breaking operations should continue using the same diligence as was observed during the two years icebreakers were used;
3) The Freezing Degree Days index method should be augmented with other sources of information such as satellite imagery, photographs from aerial flyovers, water levels and flows, and ice thickness and temperature profiles in order to obtain a more comprehensive assessment of the local ice conditions; and
4) Efforts should be maintained in synthesizing these data with the aim of producing simple guidelines, so as to minimize the data collection that would be required in future years.

Enhanced U.S. Seaway Ballast Water Regulation Enforced for Start of 2009 Season

In 2009, the Great Lakes Seaway Ballast Water Working Group (BWWG), comprised of representatives of SLSDC, the SLSMC, the U.S. Coast Guard, and Transport Canada compiled the 2008 Summary of Great Lakes Seaway Ballast Water Management report.

In 2008, 99 percent of ships bound for the Great Lakes received a physical ballast tank exam, and the remaining 1 percent received a ballast tank exam through administrative measures. One-hundred percent of ballast water reporting forms were screened to assess ballast water history, compliance, voyage information and proposed discharge location. A total of 6,704 ballast tanks, aboard 364 different ships were sampled and had a 98.6 percent compliance rate. Ninety-seven tanks on 63 ships were issued a Letter of Retention and only 31 of these tanks were considered high risk due to no record of treatment, low salinity, or the presence of mud.

The BWWG anticipates continued high ship compliance rates for the 2009 navigation season.

Corporation Plays Active Role in Great Lakes Regional Waterways Management Forum

In FY 2009, 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 jurisdictions and/or those involving international issues and is tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.

An early aerial view of Beauharnois Lock (Quebec, Canada)

Seaway Initiative to Maximize Navigable Draft

In April 1999, a committee comprised of representatives from the SLSDC and SLSMC, as well as the marine industry, including pilotage, was formed to explore safe and efficient initiatives to maximize Seaway draft for the St. Lawrence Seaway system. The Seaway is statutorily authorized to operate at a maximum navigable draft of 27 feet. The maximum allowable draft in 1999 was 26 feet, 3 inches. The work of the committee resulted in raising the maximum draft to 26 feet, 6 inches in 2004. Work has continued with the development of three-dimensional (3-D) navigation tools that have allowed testing of vessels at drafts of 26 feet, 9 inches. In 2009, vessels that were equipped with a 3-D navigation system were allowed to transit the Montreal-Lake Ontario section of the Seaway at 26 feet, 9 inches. Testing continues in the Welland Canal portion of the Seaway. Increasing the allowable maximum draft helps to increase the Seaway's productivity and competitiveness, as each additional inch of draft allows a typical inland lake vessel to transport an additional 100 tons of cargo.

SLSDC Administrator Serves as Co-Chair for "Green Marine" Program

In FY 2009, SLSDC Administrator Collister Johnson, Jr., continued to serve as the co-chair of 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 develop a greater awareness of the maritime industry's activities, benefits and challenges. To accomplish this, activities are directed towards strengthening the industry's environmental standards and performance through a process of continuous improvement, helping the maritime industry to speak with one voice, strengthening industry involvement in regulatory processes, and improving regulatory outcomes.

In May 2009, the Green Marine CEO Governance Board mandated a small group of industry members, which includes Administrator Johnson, to develop a strong, proactive communications plan to better support the marine industry. This new initiative is called "MarineWave".

SLSDC Supports "Great Ships Initiative" Program; Funds New Treatment Structure

In FY 2009, the SLSDC continued to serve as an "ex officio" member of the Executive Steering Committee for the "Great Ships Initiative" (GSI), an industry-led cooperative effort aimed at ending the problem of ship-mediated invasive species in the Great Lakes Seaway System.

The GSI program, launched in 2006 by the Northeast-Midwest Institute in collaboration with the American Great Lakes Ports Association, conducts independent research and demonstration of environmental technology, financial incentives, and consistent basin-wide harbor monitoring. In particular, the GSI program has established a land-based research, development, and technology evaluation facility in Superior, Wis., to provide intensive testing services to vendors of ballast treatment prospects suitable to Seaway-sized vessels. GSI funding comes from the private and federal sectors, including federal grants and contributions, Congressional appropriations, foundations, and states.

In addition to its work on the GSI Executive Steering Committee, the SLSDC funded the construction of a treatment structure at the GSI facility in Superior. The treatment structure will provide multiple functions to the GSI program including housing for the treatment systems being tested, lab space for fluorescent microscopy, dry storage, and a control room.

SLSDC Hires NOAA Sea Grant Knauss Fellowship Recipient to Support its Environmental Initiatives

The National Sea Grant College Program Dean John A. Knauss Marine Policy Fellowship, established in 1979 by the National Oceanographic and Atmospheric Administration (NOAA), provides a unique educational experience to students who have an interest in ocean, coastal, and Great Lakes resources and in the national policy decisions affecting those resources. This prestigious program matches highly qualified graduate students with agencies in the legislative and executive branches located in the Washington, D.C. area, for a one-year fellowship.

For the first time, the SLSDC participated in the Knauss Fellowship Program. In February 2009, Dr. Marvourneen Dolor began working at the SLSDC in the role of Policy Analyst and Environmental Scientist. Dr. Dolor has a distinguished academic and professional background. She earned a doctorate in chemistry from the University of Maryland, and is a graduate of the U.S. Coast Guard Academy in New London, Conn. Dr. Dolor has worked in various research areas concerning environmental science, including invasive species issues.

The addition of Dr. Dolor to the SLSDC staff supports the Corporation's greater involvement in environmental issues that affect commercial maritime commerce, particularly in the area of invasive species. In addition to promulgating new regulations in 2008 that require all cargo-laden international vessels entering the Seaway to carry out the procedure of "saltwater flushing," the SLSDC has taken on a greater role in other initiatives that seek to promote environmentally sustainable navigation. Dr. Dolor has played a key role in advising the SLSDC senior staff on these matters as well as participating directly in various international conferences, meetings, and other high-level efforts organized or supported by the Corporation.

Trade Development Initiatives

The statute that created the SLSDC provided general authority for the Corporation to undertake trade promotion activities. Marketing programs to promote Seaway utilization have a multitude of benefits. The primary benefit is the stimulation of Midwest port city economies through increased maritime industry expenditures for services and employment to support international trade activity. Furthermore, the Corporation engages in activities designed to increase public awareness of the Seaway. This includes costs associated with strategies aimed at identifying new markets for, and increasing use of, the Great Lakes St. Lawrence 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 Leads Seaway Trade Mission to Italy and Turkey

SLSDC Administrator Collister Johnson, Jr. and SLSMC President and Chief Executive Officer Richard Corfe, led a 17-member delegation of trade and maritime representatives from the Great Lakes St. Lawrence Seaway System to Genoa, Italy, and Istanbul, Turkey, from November 7-15, 2008. Trade mission participants included government officials and maritime executives, from port directors to marketing managers.

Great Lakes Trade Mission Delegation

The objective of the Seaway's 31st international trade mission was to promote the use of the binational waterway as a safe, viable, and cost effective route for exporting and importing goods to and from North America. The annual foreign trade mission offered System ports from the lakehead in Duluth, Minn., to the Lower Laurentian on Quebec's North Shore an opportunity to participate in direct discussions with marine industry experts, major shippers, and government leaders.

This was the third time a Seaway trade delegation had targeted Italy (previous visits took place in 1995 and 1986) and the second time a delegation visited Turkey (first in 2000). Both Mediterranean nations benefit from favorable location on the growing Asia-Europe-North America trade route through the Suez Canal. Seaway marketing directors focused on steel imports, project cargoes (oversize, sometimes super-heavy loads), and grain exports. Both nations have vibrant steel export companies and participate in pipeline projects, a fact that attracted U.S. - Canadian attention, especially for Toledo and Duluth. Italy's standing as the world leader in pasta production makes it an ideal market for importing durum wheat, a staple crop for the Dakotas and Prairie provinces of Manitoba, Saskatchewan, and Alberta.

The Seaway delegation briefed associations, port officials, and shippers about the economic opportunities awaiting them in trading within the System. Meetings with international shipowners, operators, builders, financiers, and business officials working in manufacturing, mining, and agricultural industries helped establish person-to-person contacts.

International Longshoreman's Association Representatives. Left to right: John Baker, Sr., John Baker, Jr. and Michael J. Baker.

SLSDC Agencies Host Annual Stakeholder Appreciation Reception

In recognition of its Great Lakes St. Lawrence Seaway System stakeholders, the SLSDC along with its Canadian counterpart the SLSMC, co-hosted a stakeholder appreciation reception on December 2, 2008, during the maritime industry's annual Grunt Club events in Montreal, Que. More than 150 stakeholders representing a cross-section of the maritime community attended the event. This year's reception also served as a binational kick-off of the celebration of the Seaway's 50th anniversary.

SLSDC Participates at Annual Seatrade Cruise Convention in Miami

The SLSDC participated in the annual Seatrade Cruise Convention during March 16-19, 2009. The Seatrade Convention is North America's preeminent conference for cruising industry professionals, bringing together hundreds of executives, operations staff, travel agents, suppliers, ship owners/operators, shipbuilders, tour operators, and itinerary planners. The conference focused on every aspect of the marine passenger industry including marketing, new technologies and equipment, human resource management, and destination planning and development. This year marked the ninth consecutive year that the SLSDC and members of the Great Lakes Cruising Coalition have participated in the Seatrade event. Such participation helps maximize the effectiveness of trade development efforts to improve Great Lakes St. Lawrence Seaway's visibility to the cruising communities throughout the world and encourage cruise tours to the region.

SLSDC Exhibits at Breakbulk Europe Conference and Exhibition

The U.S. and Canadian Seaway Corporations participated in the 2009 Breakbulk Europe Conference that took place from May 26-28 in Antwerp, Belgium. The conference focused on the growth in volume of breakbulk cargo moving in and out of Europe and related benefits and challenges that buyers and sellers in this market have been facing. Breakbulk cargo is defined as any loose material that must be loaded individually, and not in containers nor in bulk as with grain.

The conference offered an excellent opportunity for communication among shippers, forwarders, carriers, and other transportation providers. A number of Great Lakes Seaway System Highway H20 port partners and members joined Seaway representatives at the booth. Despite the economic climate, the exhibition was very well attended. While the project cargo market has slowed along with the economy, this sector has fared better than the general cargo or container sector of the marine industry. Waterway managers have received a number of project cargo inquiries from European freight forwarding companies and shipping companies who were looking for information about specific carriers operating in the Great Lakes, as well as port recommendations.

Seaway Agencies Market Great Lakes Seaway System Container Opportunities in Europe

Great Lakes Trade Mission Delegation

From September 26-October 2, 2009, SLSDC Administrator Collister Johnson, Jr., and Canadian SLSMC President and CEO Richard Corfe traveled to Europe as a binational effort to increase awareness about the opportunities and challenges of moving containers via Short Sea Shipping operations in the Great Lakes St. Lawrence Seaway System. They met with senior executives from various European inland waterway ports and terminals, as well as associations that currently conduct or promote operations in this growth industry. The SLSDC and SLSMC sought the counsel of experienced maritime professionals from the Associated British Ports and Freight by Water, in London, England, and port and terminal managers, and ship owners/operators from the inland water ports of Duisburg, Germany, and Rotterdam and Amsterdam, The Netherlands.

Management Initiatives

SLSDC Celebrates Seaway's 50th Anniversary

Dignitaries arrived on board the U.S. Coast Guard Cutter MOBILE BAY.

From July 9-12, 2009, the SLSDC celebrated the 50th anniversary of the binational St. Lawrence Seaway in Massena, N.Y. Events that took place for the anniversary celebration included historic and cultural activities that helped recreate the excitement of the Seaway's gala opening on June 26, 1959, when President Dwight D. Eisenhower and Queen Elizabeth II gathered in Montreal, Canada to open the St. Lawrence Seaway.

The anniversary dignitaries arrived at the ceremony aboard the U.S. Coast Guard Cutter, Mobile Bay and SLSDC Administrator Collister Johnson, Jr. kicked off the ceremony in front of approximately 1,000 spectators. Dignitaries included: U.S. Transportation Secretary Ray LaHood; SLSMC President and CEO Richard Corfe; U.S. Representative Marcy Kaptur (D-OH); Eisenhower Group, Inc. President Susan Eisenhower (granddaughter of President Eisenhower); New York Power Authority President and CEO Richard Kessel; Consulate General of Canada from Chicago Georges Rioux; Eisenhower Presidential Library and Museum Director Karl Weissenbach; and former U.S. Army Corps of Engineers Project Engineer and former SLSDC Chief Engineer John B. Adams, III. A large number of past and present employees and family members participated in many of the historic and fun activities during the anniversary weekend.

The SLSDC worked very closely with the Canadian SLSMC on anniversary planning. Several jointly planned activities took place on both sides of the border throughout the year. There were also coordinating events with the local community in Massena. For example, Administrator Johnson was the keynote speaker at the Massena Chamber of Commerce's annual dinner in February 2009 and served as the Grand Marshal of the anniversary parade on July 11.

One of the highlights of the weekend was honoring 50 individuals and organizations that have significantly impacted the U.S. Seaway since its construction in the 1950s with a special Trident "Guardian of the Seaway" Award.

These collective efforts provided cause for celebration and underscored the theme of the 50th Anniversary – "*A Vital Waterway – Past, Present and Future*".

SLSDC Launches 10-Year Asset Renewal Program in FY 2009 to Address U.S. Seaway Infrastructure Rehabilitation

On March 11, 2009, the President signed the "Omnibus Appropriations Act, 2009", which included $17.5 million for fiscal year 2009 to complete Year One projects as part of the SLSDC's 10-year Asset Renewal Program (ARP). The ARP was developed by the SLSDC to rehabilitate the U.S. Seaway's navigation infrastructure, the Seaway International Bridge, and Corporation facilities in Massena, N.Y. The ARP represents the first time in the SLSDC's 50-year history that a comprehensive effort has been undertaken to reinvest and modernize the U.S. Seaway infrastructure. Without such significant reinvestment in these perpetual transportation assets, it would become increasingly difficult to maintain the future availability and reliability of the Seaway (currently at greater than 99 percent). An economic analysis concluded that the economic impact of a shutdown of either of the two U.S. locks would result in a loss to those dependent on this mode of transportation of $1.3-$2.3 million per day, depending on the length of the delay.

Resetting the mooring buttons on the upper guidewall of Eisenhower Lock before repaving.

Although Year One (FY 2009) ARP funding was not made available until the end of March, the SLSDC obligated $17.6 million for 21 projects prior to September 30. Included among the ARP projects funded in FY 2009 is structural rehabilitation and corrosion prevention work on the Seaway International Bridge ($3.1 million), which the SLSDC co-owns with the Federal Bridge Corporation of Canada. Also included is maintenance dredging in the U.S. portion of the navigation channel ($4.3 million), upgrading mechanically operated lock equipment to hydraulic operation ($4.1 million), rehabilitation of the upstream miter gates at Snell Lock ($2.2 million), as well as various other structural and equipment repairs and/or replacement. None of the ARP projects will result in increases to the authorized depth or width of the navigation channel or to the size of the lock facilities.

On February 26, 2009, the SLSDC announced that the President's FY 2010 Budget Request to the Congress included $16.2 million to fund projects included in Year Two of the ARP. This funding will allow for the work begun in FY 2009 to continue as well as to initiate several new rehabilitation projects.

Preparation for re-roofing Snell Lock Upper Control Tower.

The ARP supports the engineering considerations highlighted in the *Great Lakes St. Lawrence Seaway Study* (published in November 2007) and follows the asset renewal activities currently underway on the Canadian Seaway locks. Beginning with the passage of the Canada Marine Act in 1998, the Canadian government has started to address the asset renewal needs of its 13 Seaway locks, including the eight Welland Canal locks that are over 75 years old.

SLSDC's FY 2009 Departmental Awards Recipients

On November 6, 2008, six SLSDC employees were honored by U.S. Transportation Secretary Mary E. Peters and SLSDC Administrator Collister Johnson, Jr., at the 41st Annual DOT Awards Ceremony held in Washington, D.C. The employees honored were:

Edward Margosian, Chief Financial Officer, Massena, N.Y., received the Meritorious Achievement award, the third highest award within the Department. Ed served as the Corporation's senior official in charge of financial management since the mid-1960s. Under his leadership, the SLSDC received 44 consecutive annual unqualified, or "clean", financial audits – all without any material weakness or reportable conditions.

Matt Mainville, Crane Operator, Massena, N.Y., received the Secretary's Volunteer Award for his dedication and commitment to serving his workplace, community and his country.

Joy Pasquariello, Public Affairs Specialist, Washington, D.C., received the Excellence Award for her commitment and dedication to communicating SLSDC and Departmental priorities and messages to a broad spectrum of stakeholders, media and Corporation employees.

Kevin O'Malley, Director, Office Budget and Programs, Washington, D.C.; Tom Lavigne, Director, Office of Engineering and Maintenance, Massena, N.Y.; and Steve Litty and Laura Ziff, DOT's Office of Budget, Washington, D.C., received the Secretary's Team Award for developing the Seaway's 10-year infrastructure modernization Asset Renewal Program.

Vicki Garcia, Director of Civil Rights and Public Affairs Specialist, Massena, N.Y., was a recipient of the DOT Management Civil Rights Accountability Program Team Award.

SLSDC Offers Education and Mentoring Programs

The SLSDC continued its Adopt-A-School program with the Jefferson Elementary School in Massena, N.Y., and its partnering efforts with the Tech Prep/School-to-Work Initiative with Massena Central High School and St. Lawrence University, to prepare high school juniors and seniors for post school employment. SLSDC once again participated as one of the corporate partners for the Tech Prep case studies. The students were asked to look at the new technologies for aids to navigation and their benefits to the trade. The objective was to decrease the cost to the Seaway as well as increase their reliability.

Local area schools participated in the Seaway's 50th Anniversary Poster Contest. The SLSDC selected the contest winners and presented them with commemorative gifts. The overall poster winner was introduced by U.S. Transportation Secretary Ray LaHood, during the Seaway's 50th Anniversary opening ceremonies at the Eisenhower Lock on July 10. In addition, as part of the Jefferson Elementary School's Annual Outdoor Activities Week, 64 sixth-grade students were given a presentation in safe boating by SLSDC employees.

SLSDC's Quality Management System Maintains International Standards Organization Status

In 1998, the SLSDC began the process of certifying its operational business practices through the internationally recognized International Standards Organization (ISO). The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based ISO.

On June 1-2, 2009, the SLSDC successfully completed a two-day surveillance audit of its ISO 9001:2000 certified quality management system, conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The ISO 9001:2000 standard focuses on self assessment, ongoing improvements, and performance metrics. Incorporation of these quality concepts, at all levels within the Corporation, has improved customer awareness, significantly enhanced communication with Seaway customers, and improved services.

The SLSDC's certification is internationally recognized and complements the agency's marketing and trade development efforts overseas. Customer complaints have been greatly reduced, while positive customer comments have increased. Maintaining the ISO certification has kept agency 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.

Her Majesty Queen Elizabeth III and President Dwight D. Eisenhower attend the Seaway opening in 1959.

SLSDC Serves on Great Lakes Maritime Research Institute's Advisory Board

During FY 2009, the SLSDC continued to serve as a member of the Advisory Board of the Great Lakes Maritime Research Institute (GLMRI), which was established in 2004 as a consortium between the University of Wisconsin-Superior and the University of Minnesota-Duluth and includes 10 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, the U.S. Coast Guard, the U.S. Army Corps of Engineers, the Great Lakes Commission, the Lake Carriers' Association, the American Great Lakes Ports Association, and the Society of Naval Architects and Marine Engineers.

GLMRI research focus areas over the past year included: 1) evaluating short sea shipping market opportunities on the Great Lakes; 2) evaluating the environmental benefits of waterborne transportation in the Great Lakes region; 3) assisting in developing sustainable solutions to the environmental effects of maritime transportation and port operations; 4) analyzing the methods and effects of taxes and fees imposed on Great Lakes shipping; 5) providing education and outreach activities to the public on Great Lakes maritime shipping; and 6) developing new products and technologies to enhance port security and port operations.

Changes in the SLSDC's Office of Financial Management

After 49 years with the SLSDC as an accountant and Chief Financial Officer (CFO), Edward Margosian passed away on December 19, 2008. During his leadership, Mr. Margosian developed an agency reputation for financial accountability that was recognized and praised throughout the Executive Branch as well as in Congress. Under his leadership, the SLSDC achieved an unparalleled record of 45 consecutive "clean" audits from outside auditing firms. In November 2008, he was the recipient of the U.S. DOT's Silver Medal for Meritorious Achievement in recognition of his lifetime achievements.

Marsha Sienkiewicz, the SLSDC's senior accounting officer, assumed the position of Acting CFO on January 7, 2009, and has 31 years of experience in various positions at the Corporation.

SLSDC Reorganizes its Washington, D.C. Office

On December 1, 2008, the SLSDC Administrator approved the reorganization of the Corporation's Washington, D.C. office. In the reorganization, Nancy Alcalde was named the Director of the newly created Office of Congressional and Public Relations. In addition, Rebecca McGill was designated as the Director of the newly reorganized Office of Trade Development.

DOT Welcomes a New Secretary

On January 23, 2009, Ray LaHood was confirmed as the 16th Secretary of U.S. Department of Transportation. Secretary LaHood was a former Member of Congress representing Peoria, Ill. Congressman LaHood held a seat on the House Transportation and Infrastructure Committee in the 1990s and most recently served on the House Appropriations Committee.

Performance Measures and Results

Safety

Enhanced Seaway Inspections – "Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Quebec, outside of U.S. waters, each navigation season." The goal was achieved during the 2008 season, with 204 vessel inspections conducted by SLSDC personnel. In 2009, through September 30, 136 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 2008 season with an availability rate of 99.9 percent. System availability during the 2009 navigation season, through September 30, was 99.7 percent.

Lock Equipment Maintenance – "Minimize vessel delays due to lock equipment failure or malfunction." The goal each year is zero hours of delay. In 2008, the goal was not met when the SLSDC recorded 5 hours, 12 minutes of lock-related delays. Lock-related delays in 2009, through September 30, totaled 1 hour, 37 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 2009 at 21 percent.

Financial Reserve – "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 2009 with a year-end balance of $11.3 million.

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 2009 as the Corporation received its 45th consecutive unqualified opinion of its financial statements for FY 2008 with no material weaknesses or reportable conditions in November 2008.

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, 2009 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 law;
- 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, 2009, 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 2009 and prior years.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned U.S. Government corporation, as of September 30, 2009 and 2008, and the related statements of operations and changes in cumulative results of operations, cash flows, and changes in equity of the U.S. Government for the years then ended and the statement of budgetary resources and actual expenses for the year ended September 30, 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion 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; 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.*" Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saint Lawrence Seaway Development Corporation as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of Saint Lawrence Seaway Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

The management discussion and analysis on pages 2 through 22, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Chiampou Travis Besaw & Kershner LLP

October 16, 2009

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH LAWS AND REGULATIONS 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 the financial statements of Saint Lawrence Seaway Development Corporation (the "Corporation"), as of and for the year ended September 30, 2009, and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, "*Audit Requirements for Federal Financial Statements*."

Internal Control over Financial Reporting

In planning and performing our audit, we considered Saint Lawrence Seaway Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We obtained an understanding of the design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of the Corporation's internal controls. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. Our audit was not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses.

<u>Compliance</u>

As part of obtaining reasonable assurance about whether Saint Lawrence Seaway Development 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Advisory Board and management of Saint Lawrence Seaway Development Corporation. However, this report is a matter of public record and its distribution is not limited.

Chiampou Travis Besaw & Kershner LLP

October 16, 2009

STATEMENTS OF FINANCIAL POSITION

Saint Lawrence Seaway Development Corporation • September 30, 2009 and 2008

Assets				
Current Assets		**2009**		2008
Cash				
Held by U.S. Treasury	**$**	**18,492,139**	$	7,175,073
Held in banks and on hand		**248,393**		94,221
Short-term time deposits in minority banks (Note 3)		**9,789,000**		8,907,000
Accounts receivable (Note 4)		**113,120**		107,550
Inventories (Note 2)		**266,566**		266,176
Other current assets (Note 4)		**26,600**		520
Total current assets		**28,935,818**		16,550,540
Long-Term Investments				
Long-term time deposits in minority banks (Note 3)		**1,271,000**		2,153,000
Plant, Property and Equipment				
Plant in service (Note 5)		**164,321,534**		162,251,652
Less: Accumulated depreciation		**(91,989,556)**		(89,777,012)
Net plant in service		**72,331,978**		72,474,640
Work in progress		**1,200,656**		706,651
		73,532,634		**73,181,291**
Other Assets				
Lock spare parts (Note 2)		**847,825**		830,533
Less: Accumulated depreciation		**(233,086)**		(232,529)
Net lock spare parts		**614,739**		598,004
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)		**7,440**		7,440
		622,179		605,444
Deferred Charges				
Worker's compensation benefits (Note 2)		**3,457,136**		3,705,332
Total assets	**$**	**$107,818,767**	$	$96,195,607

See Notes to Financial Statements. (Continued)

STATEMENTS OF FINANCIAL POSITION

Saint Lawrence Seaway Development Corporation • September 30, 2009 and 2008

Liabilities and Equity of the U.S. Government	2009	2008
Current Liabilities		
Accounts payable	**$ 1,929,318**	$ 1,363,830
Accrued annual leave (Note 2)	**880,956**	873,759
Accrued payroll costs	**654,178**	552,023
Total current liabilities	**3,464,452**	2,789,612
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	**3,457,136**	3,705,332
Total liabilities	**6,921,588**	6,494,944
Equity of the U.S. Government		
Invested capital (Note 2)	**88,660,862**	88,219,438
Cumulative results of operations	**12,236,317**	1,481,225
	100,897,179	89,700,663
Total liabilities and equity of the U.S. Government	**$ 107,818,767**	$ 96,195,607

See Notes to Financial Statements. (Concluded)

STATEMENTS OF OPERATIONS AND CHANGES IN CUMULATIVE RESULTS OF OPERATIONS

Saint Lawrence Seaway Development Corporation • For the Years Ended September 30, 2009 and 2008

	2009	2008
Operating Revenues		
Appropriations expended	**$ 29,005,349**	$ 16,409,761
Imputed financing (Note 9)	**934,077**	871,725
Other (Note 7)	**699,992**	711,800
Total operating revenues	**30,639,418**	17,993,286
Operating Expenses (Note 8)		
Locks and marine operations	**3,687,907**	3,586,684
Maintenance and engineering	**6,803,727**	3,926,014
General and development	**4,833,744**	4,418,095
Administrative expenses	**3,997,519**	3,986,946
Depreciation	**2,395,227**	2,379,790
Imputed expenses (Note 9)	**934,077**	871,725
Total operating expenses	**22,652,201**	19,169,254
Operating income (loss)	**7,987,217**	(1,175,968)
Other Financing Sources		
Interest on deposits in minority banks	**372,648**	510,130
Transfer from invested capital for depreciation	**2,395,227**	2,379,790
Total other financing sources	**2,767,875**	2,889,920
Operating revenues and other financing sources over operating expenses	**10,755,092**	1,713,952
Beginning cumulative results of operations (deficit)	**1,481,225**	(232,727)
Ending cumulative results of operations	**$ 12,236,317**	$ 1,481,225

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Saint Lawrence Seaway Development Corporation • For the Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Operating revenues and other financing sources over operating expenses	**$ 10,755,092**	$ 1,713,952
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by operating activities:		
Depreciation	**2,395,227**	2,379,790
Transfer from invested capital for depreciation	**(2,395,227)**	(2,379,790)
Net gain on property disposals	**(199,221)**	(37,827)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	**(5,570)**	7,917
Increase in inventories	**(390)**	(13,632)
(Increase) decrease in other current assets	**(26,080)**	5,026
Increase in other assets	**(17,292)**	(6,494)
Increase in accounts payable	**565,488**	74,562
Increase in accrued liabilities	**109,352**	137,963
Net cash provided by operating activities	**11,181,379**	1,881,467
Cash flows from investing activities:		
Proceeds from property disposals	**289,859**	38,044
Acquisition of plant, property and equipment	**(2,836,651)**	(982,239)
Net increase in time deposits	**-**	(98,000)
Net cash used in investing activities	**(2,546,792)**	(1,042,195)
Cash flows from financing activities:		
Appropriations for plant, property and equipment	**2,836,651**	982,239
Net increase in cash	**11,471,238**	1,821,511
Cash at beginning of year	**7,269,294**	5,447,783
Cash at end of year	**$ 18,740,532**	$ 7,269,294

See Notes to Financial Statements.

STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)

Saint Lawrence Seaway Development Corporation • For the Year Ended September 30, 2009

	Budget		
	Resources	**Obligations**	**Expenses**
Saint Lawrence Seaway Development Corporation Fund	$ 48,394,692	$ 33,910,223	$ 22,652,201
Budget Reconciliation:			
Total expenses			22,652,201
Adjustments			
Add:			
Capital acquisitions			2,836,651
Deduct:			
Depreciation			(2,395,227)
Imputed expenses			(934,077)
Decrease in net plant in service, property disposals			(90,639)
Increase in inventories			390
Increase in other assets			17,292
Less reimbursements:			
Trust funds			(31,842,000)
Revenues from non-federal sources			(1,072,640)
Accrued expenditures			$ (10,828,049)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT

Saint Lawrence Seaway Development Corporation • For the Years Ended September 30, 2009 and 2008

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2007	$ 89,616,989	$ -	$ (232,727)
Appropriations expended	-	(16,409,761)	16,409,761
Fiscal Year 2008 appropriations	-	17,392,000	-
Other financing sources	-	-	2,093,655
Operating expenses, excluding depreciation and imputed expenses	-	-	(15,917,739)
Depreciation expense	-	-	(2,379,790)
Imputed expenses	-	-	(871,725)
Transfer from invested capital for depreciation	(2,379,790)	-	2,379,790
Capital expenditures	982,239	(982,239)	-
Balance, September 30, 2008	88,219,438	-	1,481,225
Appropriations expended	-	(29,005,349)	29,005,349
Fiscal Year 2009 appropriations	-	31,842,000	-
Other financing sources	-	-	2,006,717
Operating expenses, excluding depreciation and imputed expenses	-	-	(19,322,897)
Depreciation expense	-	-	(2,395,227)
Imputed expenses	-	-	(934,077)
Transfer from invested capital for depreciation	(2,395,227)		2,395,227
Capital expenditures	2,836,651	(2,836,651)	-
Balance, September 30, 2009	$ 88,660,862	$ -	$ 12,236,317

See Notes to Financial Statements.

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. The recorded values are adjusted for the results of physical inventories taken periodically.

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 costing $5,000 or more are capitalized when they have an expected useful life of two years or more. Improvements and betterments are capitalized. 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.

Included in lock spare parts are certain items having an expected service life between 5 and 50 years. The cost of these items totals $247,809 at September 30, 2009. These lock spare parts are an integral part of the lock machinery that allow for replacement of parts, periodically removed from service for maintenance, without causing a shutdown of the Seaway. Effective for the fiscal year ended September 30, 1993, lock spare parts having expected service lives are depreciated over their service life. The remaining balance of lock spare parts, totaling $600,016 at September 30, 2009, consists of expendable inventory items valued at the lower of cost or market with cost being determined using the weighted-average method

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 statements. The liability and deferred charge recorded 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 $34,042,000 for FY 2009, $31,842,000 from the Fund (Public Law 111-8), $1,300,000 from the Corporation's unobligated balance and $900,000 from non-federal revenues. FY 2009 funding includes year one of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $33,910,223 for FY 2009. The Corporation's unobligated balance at September 30, 2009 totaled $14.5 million including $3.2 million unused borrowing authority. For FY 2010, the Corporation is operating on a Continuing Resolution based on the FY 2009 level of $31,842,000. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2010.

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, 2009 and 2008 are as follows:

	2009	2008
Other	**$96,599**	$49,335
Due from concession contracts	**28,208**	38,320
Interest on deposits in minority banks	**14,913**	20,415
Total	**$139,720**	$108,070

Note 5. Plant in Service

Plant in service as of September 30, 2009 and 2008 is as follows:

		2009		2008	
Plant in Service	**Estimated Life (Years)**	**Cost**	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	**$77,709,718**	**$43,605,110**	$77,709,718	$42,597,663
Channels and canals	95	**36,870,221**	**17,553,172**	36,870,221	17,166,035
Buildings, grounds and utilities	50	**15,707,282**	**6,847,214**	15,506,027	6,535,131
Permanent operating equipment	5 - 40	**14,148,034**	**9,111,324**	12,279,407	8,906,126
Roads and bridges	50	**9,548,428**	**8,880,621**	9,548,428	8,689,652
Land rights & relocations	95	**5,639,064**	**2,708,748**	5,639,064	2,649,538
Navigation aids	10 - 40	**2,913,052**	**2,582,165**	2,913,052	2,550,034
Public use facilities	50	**918,409**	**701,202**	918,409	682,833
Lands in fee	N/A	**867,326**	**-**	867,326	-
Total plant in service		**$ 164,321,534**	**$ 91,989,556**	$ 162,251,652	$ 89,777,012

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.

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. Ownership consists of debenture bonds payable to the Corporation with face values totaling $8,000. 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, 2009 and 2008 consist of the following:

	2009	2008
Concession operations	**$ 303,599**	$425,616
Gain on property disposals	**199,221**	37,827
Pleasure craft/non-commercial tolls	**106,376**	95,738
Rental of administration building	**43,092**	34,686
Miscellaneous	**43,031**	89,820
Shippers' payments for damages to locks, net	**4,673**	28,113
Total	**$699,992**	$711,800

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.

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

Operating expenses by object class for the years ended September 30, 2009 and 2008 are as follows:

	2009	2008
Personnel services and benefits	**$12,946,738**	$12,606,903
Contractual services	**4,646,182**	1,613,769
Supplies and materials	**838,566**	911,331
Rental, communications and utilities	**472,943**	437,190
Travel and transportation	**253,732**	191,464
Equipment not capitalized	**133,790**	132,259
Printing and reproduction	**30,946**	24,823
Subtotal	**19,322,897**	15,917,739
Depreciation expense	**2,395,227**	2,379,790
Imputed expenses	**934,077**	871,725
Total operating expenses	**$22,652,201**	$19,169,254

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, 2009 and 2008 as follows:

	2009	2008
Federal Employees Retirement System:		
Automatic contributions	**$853,754**	$833,288
Matching contributions	**240,541**	230,201
Social Security	**470,152**	449,631
Civil Service Retirement System	**146,850**	157,996
Total	**$1,711,297**	$1,671,116

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, 2009 and 2008 were $934,077 and $871,725, 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, 2009 and 2008, revenue totaled $42,439 and $32,910, respectively, for space provided to the U.S. Coast Guard and the Internal Revenue Service.

The Corporation made rental payments to the General Services Administration for its Washington, D.C. office totaling $295,507 and $262,952 for fiscal years 2009 and 2008, respectively.

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

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Amounts due under reimbursable agreements with federal agencies for FY 2009 and FY 2008 were as follows:

	2009	2008
Volpe National Transportation Systems Center	**v**	$ -
Office of the Secretary of Transportation	**68,438**	68,386
Department of Commerce	**47,000**	-
Federal Highway Administration	**26,745**	19,297
General Services Administration	**9,619**	6,660
Federal Aviation Administration	**4,532**	4,532
U.S. Census Bureau	**1,191**	1,459
Office of Personnel Management	**820**	776
Department of Health and Human Services	**386**	-
Federal Occupational Health	**338**	364
Department of Energy	**40**	21
National Science Foundation	**28**	28
Department of the Interior	-	273
Environmental Protection Agency	-	74
Total	**$235,137**	$101,870

Accounts payable and accrued payroll benefits at September 30, 2009 and 2008 include $1,102,021 and $1,073,219, respectively, of amounts payable to the U.S. Government.

In fiscal years 2009 and 2008, the Corporation accrued costs of $97,170 and $105,601, 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, 2009, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2009 and 2008 there were undelivered orders and contracts amounting to $15,191,331 and $4,209,108, respectively.

The Corporation leases office space in Washington, D.C. from the General Services Administration. The lease covers multiple fiscal years, however financial obligation is for the current fiscal year only. 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.

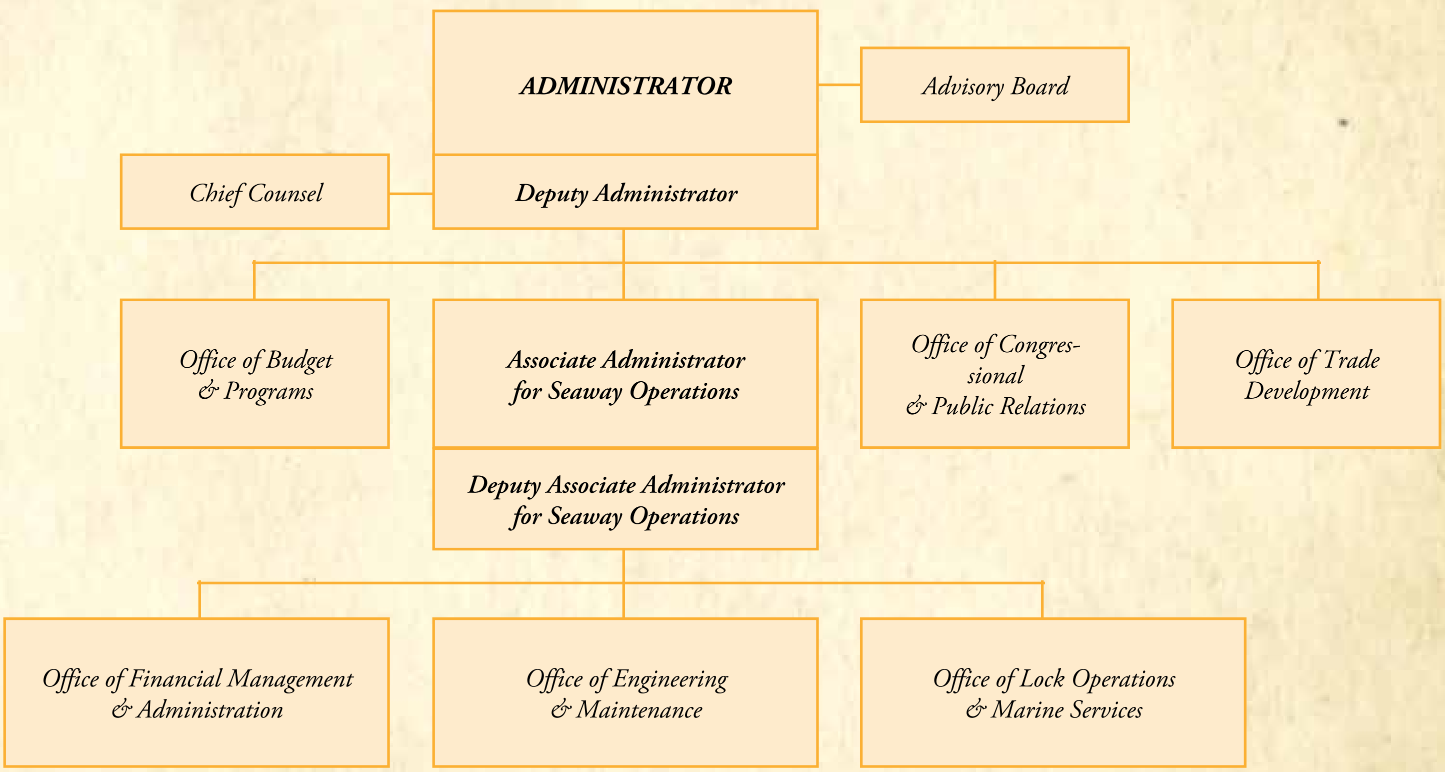
Budget resources of $48,394,692 consist of the Corporation's unobligated balance of $14,638,643 brought forward from October 1, 2008, and reimbursements earned of $32,914,640 and recoveries of prior year's obligations of $841,409 during FY 2009.

Advisory Board and Organizational Chart

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.

Scott K. Walker, Chairman	Milwaukee, Wis.
Jack E. McGregor	Bridgeport, Conn.
George Milidrag	Troy, Mich.
Charles "Trip" Dorkey III	New York, N.Y.
William Wilson	Saint Paul, Minn.

Saint Lawrence Seaway Development Corporation Organizational Chart



Contacts

Washington, D.C. Office

Administrator	(202) 366-0091
Deputy Administrator	(202) 366-0105
Chief of Staff	(202) 366-0107
Office of Congressional and Public Relations	(202) 366-6114
Trade Development	(202) 366-5418
Budget and Programs	(202) 266-8982

Massena, N.Y. Office

Associate Administrator	(315) 764-3209
Deputy Associate Administrator	(315) 764-3211
Chief Counsel	(315) 764-3231
Acting Chief Financial Officer	(315) 764-3273
Human Resources Officer	(315) 764-3230
Engineering and Maintenance	(315) 764-3251
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
Operations and Maintenance (Massena, N.Y.)	(315) 764-3242

www.greatlakes-seaway.com

Louis St-Laurent
Former Canadian Prime Minister, November 1948 – June 1957

"Rivers, together with mountains and deserts, have been long considered as natural barriers which make excellent national frontiers because they divide peoples from one another. While this may still be true to a certain extent, it is no longer the case as far as the St. Lawrence River is concerned. More and more, this great waterway has become a bond rather than a barrier between Americans and Canadians."

«Les rivières, de même que les montagnes et les déserts, ont longtemps passé pour des obstacles naturels constituant d'excellentes frontières parce qu'elles divisent les peuples entre eux. Bien que cette constatation soit juste jusqu'à un certain point, elle ne s'applique guère au fleuve Saint-Laurent. De plus en plus, cette grande voie fluviale deviant un lien plutôt qu'une séparation entre les Américains et les Canadiens.»

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