SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Fiscal Year 2011 Annual Report

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www.greatlakes-seaway.com

Aerial photo of the Eisenhower Lock located in Massena, New York.

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LETTER FROM THE ADMINISTRATOR

Dear Seaway Stakeholder:

In accordance with the Chief Financial Officers Act of 1990 and the Comptroller General's Government Auditing Standards, I am pleased to present the annual management report and financial audit of the Saint Lawrence Seaway Development Corporation (SLSDC) for the fiscal year ending September 30, 2011.

The first section of the report was prepared by the SLSDC to provide information on the agency, its mission, and the success of its performance measures. The second section consists of FY 2011 audited financial statements with associated notes and the reports of Chiampou Travis Besaw & Kershner, LLP.

Performance throughout FY 2011 on the Seaway highlighted employee commitment to accomplishing our core mission of ensuring safe, efficient, reliable service on North America's premier inland deep-draft waterway. The Corporation accomplished many outstanding achievements which are described in the report, but I would like to call your attention to a few.

The fiscal year started off welcoming Terrence Bowles who took over as President and Chief Executive Officer of The St. Lawrence Seaway Management Corporation on November 1, 2010. It has been a pleasure to work with Mr. Bowles and to work together to accomplish common goals of the Great Lakes St. Lawrence Seaway System.

The SLSDC continues to show significant progress on its 10-year Seaway Asset Renewal Program (ARP) to rehabilitate the U.S. Seaway's navigation infrastructure. The ARP, which began in 2009, is the first time in the binational waterway's history that a comprehensive capital program has addressed the U.S. Seaway assets, including improvements to the U.S.-operated locks, the navigation channels, the Seaway International Bridge, and other SLSDC facilities in Massena, New York.

The 2010 Summary of Great Lakes Seaway Ballast Water Working Group released by the United States Coast Guard examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. The report found that 100 percent of all ocean-going ships bound for the Great Lakes Seaway System ports from outside U.S. or Canadian waters in 2010 received a ballast tank exam, compared with 100 percent in 2009, 99 percent in 2008 and 74 percent in 2007.

The SLSDC, in conjunction with the International Joint Commission, also continued to play a leadership role in Great Lakes Ballast Water Collaborative. This Forum brings together industry, state and federal regulators, and leading academic ballast water researchers on the issue of ballast water and invasive species in the region. Several meetings have taken place this fiscal year.

In addition, earlier in the fiscal year the two Seaway Corporations hosted the 32nd Annual Trade Mission to Amsterdam and Rotterdam, The Netherlands, Antwerp, Belgium and London, England. The Trade Mission provided Great Lakes St. Lawrence Seaway System Stakeholders with the opportunity to work with industry leaders proficient in conducting Short Sea Shipping on a daily basis as well as reconnect with current users and prospective customers.

To learn more about the latest developments at the Seaway, simply click on our binational website at www.greatlakes-seaway.com and contact us if you have any questions.

Administrator

Collister Johnson, Jr.

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. Maritime commerce on the Great Lakes Seaway System annually sustains more than 225,000 U.S. and Canadian jobs, $14.1 billion in personal income, $33.6 billion in transportation-related business revenue, $6.4 billion in local purchases, and $4.6 billion in federal, state, provincial, and local taxes. The binational waterway also provides approximately $3.6 billion in annual transportation cost savings compared to competing rail and highway routes.

The St. Lawrence Seaway is an international waterway, and the SLSDC 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), particularly 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 2011

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. With the enactment of the Water Resources Development Act of 1986, P.L. 99-662, which created the Harbor Maintenance Trust Fund (HMTF), the SLSDC became an appropriated agency. Although the U.S. portion of Seaway tolls was still collected, the Act required the U.S. Treasury to rebate the U.S. toll collections to users. Subsequent legislation, effective October 1, 1994, waived the billing and collection process of the U.S. tolls. However, the SLSDC still recognizes the requirement under the 1959 Tariff of Tolls agreement between Canada and the U.S. to negotiate Seaway toll levels with the SLSMC.

Selected Financial Indicators *
(in thousands of dollars)

For the years ended September 30	2011	2010	Change $	Change %
Operating revenues	21,303	28,274	(6,972)	(25)
Appropriations expended	20,542	27,663	(7,120)	(26)
Other	760	612	148	24
Operating expenses	26,356	21,621	4,735	22
Personnel services and benefits	13,118	12,955	163	1
Other	13,239	8,667	4,572	53
Imputed financing and expenses				
Imputed financing	1,016	1,101	(85)	(8)
Imputed expenses	1,016	1,101	(85)	(8)
Total assets	125,299	117,308	7,990	7
Time deposits in minority banks	10,714	11,158	(444)	(4)
Short-term	8,878	8,319	559	7
Long-term	1,836	2,839	(1,003)	(35)
Interest income from minority banks	162	230	(68)	(29)

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

Operating Revenues

Operating revenues, excluding imputed financing, totaled $21.3 million in FY 2011, a 25 percent decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, decreased $7.1 million and other revenues increased $148,000.

Operating Expenses

Overall operating expenses of $26.4 million, excluding depreciation and imputed expenses, increased 22 percent. Personnel services and benefits remained constant while other costs increased by 53 percent. Personnel services and benefits represented 50 percent of the Corporation's operating expenses in FY 2011.

Other costs of $13.2 million included $11.6 million for other contractual services; $826,000 for supplies and materials; $474,000 for rent, communications, and utilities; $230,000 for travel and transportation of persons and things; $142,000 for equipment not capitalized; and $15,000 for printing and reproduction.

The Corporation employed 134 people on September 30, 2011, including nine temporary employees.

Imputed Financing and Expenses

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

Total Assets

The Corporation's financial position continues to remain sound with total assets of $125 million. Plant, property and equipment are valued at $85 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling $10.7 million at year-end. An increase in short-term deposits of $559,000 was offset by a decrease in long-term deposits of $1 million. Fewer funds invested, due to fewer banks participating in the program, and lower interest rates led to a 29 percent decrease in interest on deposits in minority banks.

Unobligated Balance

The Corporation had an unobligated balance on September 30, 2011 of $15.4 million, comprised of $3.2 million of unused borrowing authority and the $12.2 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 Appropriations Committee reports. The funds on deposit in minority banks were principally built up from toll income in excess of cash outlays prior to April 1, 1987, when the Corporation was a self-sustaining entity, and are invested in insured deposits consistent with Executive Order 11625 (October 13, 1971).

Agency Operations

Other-than-personnel expenditures for Agency Operations totaled $3.3 million.

Specific operating expenditures for Agency Operations included $437,000 for general operating expenses; $425,000 for special operating projects; $224,000 for lock inspection and maintenance; $131,000 for equipment, vehicle, and vessel maintenance; and $102,000 for building maintenance.

There were no capital expenditures for Agency Operations.

SLSDC's Asset Renewal Program

As part of its FY 2009 budget request to Congress, the SLSDC developed an Asset Renewal Program (ARP) to address the long-term asset renewal needs of the U.S. Seaway infrastructure. A perpetual infrastructure asset, such as a lock, 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 57 projects included in the current ARP are estimated at $186 million and address various needs for the two U.S. Seaway locks, the Seaway International Bridge connecting Ontario and New York, maintenance dredging, operational systems, and Corporation facilities and equipment. None of these investments will result in increases to the authorized depth or width of the navigation channel or to the size of the two existing U.S. locks.

In FY 2011, the SLSDC obligated $15.8 million in other-than-personnel, including accrued expenditures and undelivered orders, for Year Three ARP projects. ARP other-than-personnel accrued expenditures, not including undelivered orders, totaled $21 million and included primary expenditures of $5.5 million for the Seaway International Bridge rehabilitation; $3.6 million for dredging; $2.7 million for miter gate rehabilitation; $2.3 million for culvert valve machinery; $1.9 million for paving and drainage; $1.1 million for electrical distribution equipment upgrades; $1 million for floating plant upgrades; $770,000 for compressed air systems; $588,000 for wire ropes on the vertical lift gate at Eisenhower Lock; $430,000 for storage upgrades for lock spare parts at Corporation facilities; $333,000 for culvert valves with single skin valves; $300,000 for Corporation equipment; $155,000 for installation of a new ice flushing system at Snell Lock; $140,000 for a new elevator at the Administration Building; and $104,000 for network upgrades.

SLSDC maintenance personnel disconnecting strut in preparation for replacing the upstream south filling valve and strut at Snell Lock with a new single valve and strut.

Seaway International Bridge – Perform Structural Rehabilitation and Corrosion Prevention – Abhe and Svoboda continued to blast clean and paint the south span of the Seaway International Bridge and LiRo Engineers continued to monitor the work to ensure specification conformance. The Contractor completed blast cleaning and painting the center span and continues to work on the north tower and Canadian side span. When this contract is completed, plans are to award a contract to blast clean and paint the Canadian viaduct which will complete work on the south span.

Navigation Channels – Dredge U.S. Sectors to Maintain Design Grade and Dispose of Sediments – White Lake Dock and Dredge continued to dredge river bottom sediments from the navigation channel at the International Tangent and in the Intermediate Pool between Eisenhower and Snell Locks to insure that vessels can pass safely at the Seaway-specified maximum draft. PB Americas continued to monitor the work to insure specification conformance. Both plan to return in October, 2011 to complete the dredging.

Both Locks – Rehabilitate: Upstream Miter Gates – Hohl Industrial completed work for rehabilitating the upstream miter gate at Eisenhower Lock which included replacing miter and quoin contact blocks, diagonals, gate anchorage assemblies, pintles and bushings and rubber gate seals and C&S Engineers inspected the work to insure specification conformance. Contracts have been awarded but work has not been completed as follows:

- Kubricky Construction for rehabilitating the upstream miter gate at Snell Lock.
- C&S Engineers for inspecting the work for rehabilitating the upstream miter gate at Snell Lock.
- Chesapeake Machine for fabricating parts for the miter gate rehabilitation work.

Both Locks – Culvert Valve Machinery – Upgrade to Hydraulic Operation – Hohl Industrial completed procurement of machinery and fabricated components for replacement of the electro-mechanical operating machinery with hydraulic equipment for operating and controlling the north side filling and emptying valves at both Eisenhower and Snell Locks. A contract was awarded to Hohl Industrial for upgrading the south side operating machinery during the winter of 2013, but no work has been completed.

Corporation Facilities – Replace Paving and Drainage Infrastructure – J.E. Sheehan Contracting completed work for improving pavements and drainage at and around Eisenhower and Snell Locks, the Administration Building, the Maintenance Facility and the Spare Gate Storage Area.

Corporation Facilities – Upgrade Electrical Distribution Equipment – S&L Electric completed nearly all of its work related to the upgrade of the electrical distribution equipment and the replacement of the Compressor Building transformers at both Eisenhower and Snell Locks.

Corporation Equipment – Upgrade/Replace Floating Plant – Corporation personnel completed assembling and customizing sectional spud barges and installing a hydrographic survey system on a survey vessel. Marine Systems Corporation completed work to design and prepare specifications, drawings and cost estimates for upgrades to the gatelifter and is continuing to work to design and prepare specifications, drawings and cost estimates for upgrades to the Buoy Barge. Heddle Marine completed work to inspect, repair and/or replace damaged components and to blast clean and paint the hulls of the gatelifter and tug, Robinson Bay, at their drydock.

Both Locks – Compressed Air Systems – Upgrade/Replace – Erie Mechanical completed work to replace the compressors at both Eisenhower and Snell Locks which are primarily utilized to operate air curtains and bubblers to manage ice in and around the locks during opening and closing periods.

Eisenhower Lock – Vertical Lift Gate – Replace Wire Ropes – B-S Industrial completed nearly all of its work related to the replacement of the wire ropes used to lift the emergency Vertical Lift Gate and for the rehabilitation of the other lifting components. The gate was left in an operational status when the navigation season opened; however, the contractor has to return this winter to make final adjustments to complete the project.

Corporation Facilities – Upgrade Storage for Lock Spare Parts – Rand and Jones completed construction of a storage building at the Maintenance Facility which is being used to store equipment such as dump trucks, portable air compressors, boats, etc.

Both Locks – Culvert Valves – Replace with Single Skin Valves – Two single skin culvert valves with struts/stems were fabricated by LMC Power Systems and delivered. Corporation personnel installed one to replace the original double skin filling valve at the south side of Snell Lock during the winter of 2011. The Corporation's engineering staff will work with the U.S. Army Corps of Engineers to resolve issues with the new valves before installing the second single skin valve or ordering additional valves.

Corporation Equipment – Replace Heavy and Light Equipment, Maintenance Vehicles, and Shop Equipment – The Corporation has ordered and not yet received two vehicles to replace aged, high mileage and/or severely corroded vehicles. Two electric "golf-cart-size" vehicles were purchased for use at the locks by personnel tying up the ships transiting the locks to replace two similar vehicles that were worn out. The Corporation's fuel truck was rehabilitated to replace the storage boxes and the frame/box that held the pump. All of this equipment was severely corroded. Finally, a horizontal boring machine was purchased and installed in the Machine Shop. It has and will continue to be used to fabricate/machine custom parts to repair/replace original lock components which are over 50 years old.

Contractor re-installing refurbished sheaves and support frame for the emergency vertical lift gate at Eisenhower Lock.

Snell Lock – Install Ice Flushing System Technologies – PB Americas has completed the conceptual design phase for the installation of an ice flushing system at Snell Lock. An option was selected by the Corporation and PB Americas has commenced with the preparation of final designs, specifications, drawings and cost estimates.

Elevator at Administration Building – Thyssen Krupp AG completed the work required to place the elevator at the Administration Building back into service and to modernize it so that it meets the applicable codes and regulations.

Network Upgrade – Mac Source completed replacement of the SLSDC's IT network switches, as recommended by DOT. The contractor is also under contract to perform a network assessment and to test several operating systems for migration to Windows 7.

Significant Future Costs and Anticipated FY 2012 Accomplishments

Included in the SLSDC's FY 2012 budget request to Congress was a five-year ARP Capital Investment Plan. For the FY 2012-2016 time frame, the Seaway ARP includes 39 projects estimated at $100.2 million, 27 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 2012 budget request included 23 Year Four ARP projects totaling $17.1 million. Some of the major projects include:

Snell Lock – Rehabilitate Downstream Miter Gate – This project is to completely rehabilitate the miter gate at the downstream end of Snell Lock. It includes replacing worn and/or damaged components including the miter and quoin contact blocks, pintles, and diagonals to insure proper functioning of the miter gates. The FY 2012 estimate exceeds original baseline estimates due to actual costs associated with rehabilitating the upstream miter gates in FYs 2009 and 2010.

Eisenhower Lock – Diffusers – Replace – This project is to replace deteriorated/damaged concrete in the diffusers at Eisenhower Lock. This includes poor quality concrete used during original construction of the locks as well as concrete that was damaged by freeze-thaw cycles. The diffusers are the outlet structures used to dampen the flow of water when the lock is emptied.

Snell Lock – Install Ice Flushing System – This multi-year project will result in the installation of an ice flushing system at Snell Lock similar to the one already in operation at Eisenhower Lock. The project is critical to the safe and efficient operation of Snell Lock during the waterway's opening and closing periods when ice is present. With today's larger ships transiting the Seaway, the lock must be flushed almost completely free of ice before a vessel can be allowed to enter the locks because of the limited space between the vessels and the lock walls. Currently, ice is flushed from the Snell Lock chamber by utilizing the lock filling valves, exposing them to very high water flow/velocity for long periods of time. This causes the valves to vibrate and, in some instances, incur damage. FY 2012 funds will be used primarily for concrete demolition work.

Eisenhower Lock – Miter Gate Machinery – Replace – This project is for replacing the operating machinery for the miter gates at Eisenhower Lock. This machinery is more than 50 years old and needs to be upgraded to insure its continued reliability. The upgrade will include new hydraulic operating equipment to match the improvements made at the Canadian Seaway locks and the other U.S. locks managed by the U.S. Army Corps of Engineers.

Corporation Equipment – Upgrade/Replace Floating Plant – This is an ongoing program to rehabilitate and/or replace the Corporation's floating plant which is used for maintaining the locks and navigation channels. This multi-year project also includes: (1) replacing the tug; (2) upgrading the buoy tender barge; (3) purchasing a smaller tug for operations where the capabilities of the larger tug are not efficient, a small boat for emergency response and a small scow for transporting dredged spoil from emergency/spot dredging; and (4) rehabilitating the crane barge/gatelifter, which would have to be used if a miter gate was damaged and had to be replaced.

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

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. These inspections focus on safety and environmental protection issues and occur in Montreal, Que., before the vessels enter the Seaway and U.S. waters. The SLSDC and the U.S. Coast Guard (USCG) signed a Memorandum of Understanding (MOU) in March 1997 to develop the program of coordinated vessel inspection and associated 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 Canadian St. Lawrence Seaway Management Corporation (SLSMC) and Transport Canada and continues to guide Seaway maritime policies and procedures.

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 USCG and Transport Canada as critical for the vessel to transit to the Seaway/Great Lakes. In the event major deficiencies are identified, Transport Canada and the USCG are notified and the vessel is detained in Montreal until the deficiencies are cleared.

The proactive approach and continued improvement 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 2010 navigation season, with 245 inspections conducted by SLSDC personnel. As of September 30, 180 vessel inspections had been completed in 2011.

SLSDC Continues Role on Great Lakes Regional Waterways Management Forum

In FY 2011, the SLSDC continued to play a key role in the Great Lakes Regional Waterways Management Forum, a group of U.S. and Canadian federal representatives who work cooperatively to identify and resolve waterways management issues that involve the Great Lakes region. The Forum specifically reviews issues across multiple jurisdictional zones and/or those involving international issues and is further tasked with developing operational solutions that improve the use and effectiveness of the Great Lakes.

Seaway Agencies Manage Draft Information Pilot Program

In FY 2011, the SLSDC continued to work with the Canadian SLSMC as well as Seaway carriers and technology vendors to implement draft information technology to maximize sailing drafts on the St. Lawrence Seaway. Currently, the Seaway's maximum allowable draft is 26 feet, 6 inches.

During both the 2009 and 2010 navigation seasons, the two Seaway agencies instituted a pilot program to allow fully-loaded vessels, with three-dimensional (3-D) navigation technology tools on board, to exceed the maximum allowable draft by three inches to 26 feet, 9 inches, in the Montreal-Lake Ontario section of the Seaway. During the 2011 navigation season efforts were focused on the development of an industrial implementation specification for the draft information system. A proposed specification drafted in general accordance with the ISO/IEC directives was issued in March and is expected to be finalized in late 2011. 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 Participates in Tabletop Emergency Exercise

The SLSDC sustains an Emergency Response Plan that enhances the Corporation's ability to respond to a vessel incident that results in pollution. The SLSDC works closely with the USCG, Canadian Coast Guard, and New York State Department of Environmental Conservation to assist with mitigating the impact of an oil spill on the local environment and on Seaway trade and commerce.

Annual training and drills are practiced to ensure resources are adequate for an effective response. Most training and drills are multi-agency lead and attended by local response agencies and environmental groups.

The SLSDC participated in a tabletop exercise sponsored by U.S. Customs and Border Protection at the Ogdensburg, N.Y. Port of Entry on May 3, 2011. Exercise objectives included evaluating player actions in response to a terrorist attack utilizing a persistent chemical agent, improving participants' understanding of their roles and responsibilities during an act of terrorism at the Ogdensburg Port of Entry, and demonstrating proper incident management by use of the ICS/Unified Command System. This was a multi-agency attended event that included representatives from federal, state, and local response agencies.

The SLSDC Emergency Response Team prepares for a mock emergency situation.

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

In FY 2011, a U.S. government report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2010 navigation season. This was evident in both the number of ballast tank inspections of oceangoing commercial ships entering the Great Lakes St. Lawrence Seaway System from outside U.S. or Canadian waters, as well as the extent of compliance with ballast water management requirements.

The *2010 Summary of Great Lakes Seaway Ballast Water Working Group* released by the USCG examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. The report found that 100 percent of all ocean-going ships bound for the Great Lakes Seaway System ports from outside U.S. or Canadian waters in 2010 received a ballast tank exam, compared with 100 percent in 2009, 99 percent in 2008 and 74 percent in 2007. Moreover, the report found that 7,754 ballast tanks on board 415 vessels were assessed. Vessels that were unable to exchange their ballast water/residuals and that were required to retain them onboard, received a verification boarding during their outbound transit prior to exiting the Seaway. The effectiveness of the Seaway's ballast water inspection program has been publicly credited as a key factor in preventing the discovery of establishment of any new species in the Great Lakes since 2006 – the longest such period of non-detection on record.

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

In addition to ballast tank exams for all oceangoing vessels entering the St. Lawrence Seaway in 2010, 100 percent of ballast water reporting forms were screened to assess ballast water history, compliance, voyage information, and proposed discharge location. In 2010, Transport Canada issued nine Letters of Warning for vessels found with discrepancies in its ballast water management plan, records, or reports. These letters are used for minor first-time offenses with a warning of possible assessment of a fine if not corrected. Transport Canada issued 3 such monetary penalties amounting to $18,000. BWWG agencies issued Letters of Retention for 71 vessels. Rather than retain non-compliant ballast water, three vessels chose to conduct an exchange in an approved alternate zone and one vessel opted not to enter the Great Lakes. Verification boardings are conducted on every outbound vessel issued a Letter of Retention. In 2010, all vessels issued a Letter of Retention were boarded during their outbound journey and one vessel was found to be out of compliance. This vessel was issued a Notice of Violation and fined $3,000.

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

SLSDC Continues to Support Binational "Green Marine" and "Marine Delivers" Programs

In FY 2011, the SLSDC continued to financially support and participate in the U.S.-Canadian "Green Marine" initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing a number of key environmental issues.

The objective of the Green Marine program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and 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 to develop a strong, proactive communications plan to better support the marine industry. This new initiative was launched in FY 2010 and is called "Marine Delivers."

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

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

SLSDC Plays Leadership Role on Great Lakes Ballast Water Collaborative

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

A particular emphasis of the BWC has been to bring state representatives together with marine industry representatives and respected scientists to find workable and effective solutions to the aquatic invasive species challenge as they relate to the Great Lakes St. Lawrence Seaway System. The aim of the BWC is not to take away from any preexisting efforts in this regard, but rather to complement those efforts.

In September 2009, the BWC held its first meeting in Detroit, Mich., as an information-sharing forum on ballast water issues for the Great Lakes Seaway System. The forum was attended by representatives from state and provincial governments (Minnesota, Wisconsin, Illinois, Ohio, Michigan, New York, and Ontario); U.S. and Canadian regulatory agencies; senior executives from the U.S.-flag laker, Canadian-flag laker, and international fleets; and the leading academic ballast water researchers from Canada and the United States.

Over the past two years, the BWC has met several additional times. In FY 2010 two meetings were held: one in May 2010 in Montreal, Que., and another in July 2010 in Duluth, Minn. In FY 2011, two full BWC meetings were convened – one in Toronto, Ont. in January 2011 and the other in Baltimore, Md., in September 2011. The BWC has attracted the active participation of over 100 different individuals in the U.S. and Canada, most of them the senior representatives of their organizations.

The Avonborg carries wind turbine components bound for Indiana through the St. Lambert Lock.

The statute that created the SLSDC provided general authority for the Corporation to undertake trade promotion activities. Marketing programs to promote Seaway utilization have had a multitude of benefits. The primary benefit is the stimulation of U.S. and Canadian 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 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 Europe Focusing on Short Sea Shipping

In November 2010, the SLSDC and SLSMC hosted the 32nd annual Seaway Trade Mission to several core trading partner cities – Amsterdam and Rotterdam, The Netherlands; Antwerp, Belgium; and London, England. The mission provided Great Lakes Seaway System stakeholders with the opportunity to work with European industry leaders proficient in conducting Short Sea Shipping on a daily basis as well as reconnect with current users and prospective customers. The Seaway delegation consisted of 19 U.S. and Canadian stakeholders representing ports, counties, shippers, and carriers.

Short Sea Shipping symposiums were arranged with numerous maritime industry representatives from the ports of Amsterdam, Rotterdam, Antwerp, and The Associated British Ports, as well as the associations of Freight by Water, Coastlink Network, and The Shortsea Promotion Center of Holland. Following each symposium, local industry representatives met with the delegation to discuss trade opportunities in the Great Lakes Seaway System.

During each symposium, the Seaway delegation received presentations covering a wide array of topics including: short sea policies in The Netherlands and Europe; sustainable hinterland logistics; environmental innovation; and the promotion of short sea shipping. The presentations provided Seaway delegates with detailed information about short sea shipping in Europe and how it compares to ongoing efforts in North America.

During the mission, the two Seaway Corporations signed a Memorandum of Understanding (MOU) with the Port of Amsterdam to work together to connect a sustainable hinterland logistics network in Canada-United States with European networks, investigate the feasibility of setting up a Customs-efficient "green lane" between Canada and Europe, and link this joint initiative with current European Union-Canada trade discussions, for the benefit of the Port of Amsterdam and the Seaway System.

Left to right – Sal Pisani, Associate Administrator, SLSDC; Herman Journee, Director Strategic Development, Port of Amsterdam, The Netherlands; Mannes Boelen, Commercial Manager Containers & Logistics, Port Amsterdam, The Netherlands, and Terence Bowles, President and CEO, The St. Lawrence Seaway Management Corporation.

SLSDC Participates in Wind Industry Forums

In FY 2011, the SLSDC's Office of Trade Development dedicated significant time and resources to the development of renewal energy trade on the Great Lakes Seaway System, especially the wind sector. The first shipments of wind cargoes into U.S. and Canadian Great Lakes ports occurred less than a decade ago and movements have increased steadily each year.

The SLSDC actively participates in the Great Lakes Wind Collaborative (GLWC), a multi-stakeholder group working to facilitate sustainable development of wind energy in the region. The Office of Trade Development worked with the GLWC for more than three years primarily in the offshore working group and the economic development group. The GLWC, along with the Department of Energy and the White House's Council of Environmental Quality, co-hosted a workshop in Chicago, Ill., October 26-27, 2010, to help clarify the role of federal agencies in siting offshore wind projects in the Great Lakes. The GLWC recognized the role this agency plays operationally with the Canadian St. Lawrence Seaway Management Corporation. The binational Seaway is the gateway for wind components moving into and out of states and provinces, and will be key in the ultimate establishment of an offshore wind industry.

During FY 2011, the SLSDC made presentations and served on panels at three events as a liaison with industry, government, and academia. The office made presentations at wind industry events in Phoenix, Ariz. (AWEA Fall Seminar on Transportation and Supply Chain Issues); Chicago, Ill. (GreenPower: Identifying Supply Chain Gaps and Strategies to Increase Domestic Wind Manufacturing Facilities); and Detroit, Mich. (Freshwater Wind 2).

In addition, the SLSDC conducted outreach with Germany's offshore wind industry through the invaluable assistance of senior managers at the Seaports of Niedersachsen, a dynamic group of ports that the Highway H_2O group has partnered with for several years. A weeklong series of meetings and facility tours in Emden, Brake, Nordenham, Bremerhaven, and Cuxhaven included stops at turbine manufacturers, foundation companies, a cable supplier, and stevedores.

SLSDC Exhibits at International Breakbulk Europe Conference and Exhibition

The U.S. and Canadian Seaway Corporations, along with stakeholders representing the ports of Burns Harbor, Ind.; Toledo, Ohio; Milwaukee, Wis.; and Midwest Terminals of Toledo participated in the annual Journal of Commerce International Breakbulk Europe Conference and Exhibition, in Antwerp, Belgium, May 17-19, 2011. During the event, the Seaway Corporations erected the Highway H_2O display which provided guests of the information booth with an excellent visual representation of the Great Lakes Seaway System.

Breakbulk Europe is one of the largest and most important gatherings in Europe for companies involved in the shipping of heavy-lift, project cargo and traditional breakbulk cargoes. It is where shippers have the opportunity to meet and develop relationships with the leading specialized carriers, forwarders, ports, and terminals that have the expertise and resources to handle oversized cargoes with unique handling requirements.

This year's conference focused on the volume of breakbulk cargo moving in and out of Europe as well as the related benefits and challenges that buyers and sellers in this market have been facing. The three-day event offered an excellent opportunity for the Seaway delegation to meet with current and potential customers and update them on opportunities for moving cargo into the Great Lakes Seaway System.

SLSDC Participates at Annual Seatrade Cruise Convention in Miami

The SLSDC and members from the Great Lakes Cruising Coalition (GLCC) participated in the annual Seatrade Cruise Convention in Miami, Fl., March 14-17, 2011.

M/S C. Columbus returning to the Great Lakes.

The Seatrade Cruise Exhibition and Convention is North America's preeminent conference for cruising industry professionals. The conference focuses on every aspect of the marine passenger industry including marketing, new technologies and equipment, and attracts more than 10,000 visitors and 1,000 exhibitors. As one of the key exhibitors in the destinations section, the delegation hosted an information booth, offering a large spectrum of Seaway literature to visitors. A large display was erected that created picturesque photos and graphics of the many beautiful sights on the Great Lakes Seaway System. Members of the GLCC offered visitors brochures, which focused on popular cruising destinations within the Great Lakes Seaway System. SLSDC representatives promoted technical information to assure the safest transit possible through the locks and channels of the Seaway System.

SLSDC and SLSMC Host the Annual Stakeholder Appreciation Reception

In conjunction with the annual events surrounding the Grunt Club dinner and Montreal Marine Day, the SLSDC and SLSMC sponsored its annual trade promotion and stakeholders appreciation reception in Montreal, Que., December 2, 2010. This event allows the Seaway Corporations to promote the ongoing and future marketing efforts that are designed to raise the profile of the System, and increase tonnage and vessel activity. This event is also an opportunity to thank our Stakeholders for their continued support of the Great Lakes Seaway System. This year's reception was attended by more than 150 stakeholders representing Great Lakes Seaway System stakeholders and current and potential customers from several European countries.

Left to right – Terence Bowles, President and CEO, The St. Lawrence Seaway Management Corporation; Richard Corfe, previous President and CEO, The St. Lawrence Seaway Management Corporation; Ivan Lantz, Director, Marine Operations, Shipping Federation of Canada; Ross Gaudreault, President and CEO, Port of Quebec; and Craig Middlebrook, Deputy Administrator, Saint Lawrence Seaway Development Corporation.

SLSDC Completes Third Year of Asset Renewal Program

During FY 2011, the SLSDC continued its work in the area of U.S. Seaway infrastructure renewal as part of its 10-year Asset Renewal Program (ARP). The ARP was started in FY 2009 to rehabilitate the U.S. Seaway's navigation infrastructure, the Seaway International Bridge, and Corporation facilities in Massena, N.Y.

In FY 2011, the SLSDC obligated $15.8 million on 32 ARP projects. Major ARP activities funded in FY 2011 included the upgrade of lock culvert valve machinery to hydraulic operation ($4.0 million), maintenance dredging of U.S. sections of the Seaway ($3.7 million), rehabilitation of the downstream miter gate at Eisenhower Lock ($2.4 million), rehabilitation of the SLSDC tugboat and gatelifter ($1.9 million), and purchase of miter gate wall quoin and miter gate contact blocks ($1.1 million). The SLSDC's initial plan for Year Three ARP obligations in FY 2011 was to fund 20 projects for $15.7 million. There were several small obligations associated with outyear ARP projects in preparation for future work, which greatly increased the number of projects funded during the fiscal year.

In addition, FY 2011 marked the first year for the completion of several Year One and Two lock-related projects during the non-navigation months of the year. These projects were completed during the January-March 2011 timeframe and included the upgrade of electrical distribution equipment at both locks, the replacement of wire hoisting ropes and rehabilitation of related equipment for the emergency vertical lift gate at Eisenhower Lock, and the rehabilitation of the upstream miter gate at Eisenhower Lock.

The SLSDC's ARP represents the first comprehensive effort to reinvest in 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.

The completion of ARP projects over the 10-year period will extend the life of the U.S. Seaway infrastructure and reduce the risk of system delays to commercial navigation caused by lock equipment malfunction. In addition, several ARP projects will involve the implementation of new and improved technologies for the operation of the Seaway infrastructure, which will result in minimized maintenance needs.

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 Quality Management System Maintains International Standards Organization Status

On July 6-7, 2011, the SLSDC successfully completed a two-day surveillance audit of its International Standards Organization (ISO) 9001:2008 certified quality management system. The audit, conducted by Lloyd's Register of Quality Assurance, found that the SLSDC's quality management system continues to be effective, meets the organization's needs, and is capable of delivering on SLSDC objectives. It added that continued improvement is seen in the SLSDC's ongoing multi-million dollar Asset Renewal Program (ARP) with top management having assessed the risks to the continuing viability of the Seaway and the economic impacts of not embarking on such a program.

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

The ISO 9001:2008 standards focus 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 compliments 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.

DOT Program Evaluation Recognizes SLSDC Occupational Safety Program

During FY 2011, the SLSDC participated in a safety program evaluation as administered by the U.S. Department of Transportation (DOT)'s Office of the Secretary of Transportation (OST). The SLSDC received the highest average score when compared against all other DOT Operating Administrations. The SLSDC's safety program was evaluated against 65 unique criteria, which included examinations of the SLSDC's safety and health infrastructure, demonstrated leadership and staff commitment, and initiatives and investigations that support a robust safety and health program. By and large, OST found that the SLSDC expertly met its safety requirements through ample written policy and ongoing, sustained organizational execution. The SLSDC will use the program evaluation as a baseline for continuously monitoring and improving its safety and health practices in the future.

Two SLSDC Employees Receive Department of Transportation Awards

On November 4, 2010, two SLSDC employees were honored by U.S. Transportation Secretary Ray LaHood and SLSDC Deputy Administrator Craig Middlebrook at the 43nd Annual DOT Awards Ceremony held in Washington, D.C. The employees honored were:

- **Carol Fenton**, *Deputy Associate Administrator,* Massena, N.Y., who received the Meritorious Achievement Award, the third highest award within the Department given by the Secretary in recognition of exceptionally meritorious service related to her exceptional leadership and participation on several binational strategic projects.

- **Joy Pasquariello**, *Public Affairs Specialist*, Washington, D.C., who received the Secretary's Team Award for her work on the DOT IdeaHub Team's successful conceptualization and implementation of the ideation program.

SLSDC Serves on Great Lakes Maritime Research Institute Advisory Board

During FY 2011, 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.

SLSDC Welcomes New Chief of Security, Occupational Health and Safety

Following the retirement of SLSDC Chief of Security William Warburton in late FY 2011, the SLSDC announced the hiring of Josef Walker as the new Chief of Security, Occupational Health and Safety. Prior to joining the SLSDC, Mr. Walker served 26 years with the New York State Police and also served four years in the U.S. Navy where he received the Navy Expeditionary Medal for his service.

SLSDC's Washington Office Moved to New DOT Campus Facility

In late September 2011, the SLSDC's Washington, D.C. office was relocated from its offices at the U.S. Department of Transportation (DOT) Headquarters office to a new "DOT Headquarters Campus" office at 55 M St., S.E., several blocks away in Washington's Navy Yard neighborhood. The new lease began on October 1, 2011. The SLSDC's Washington Office mailing address remains 1200 New Jersey Ave., S.E., Suite W32-300, Washington, D.C. 20590.

SLSDC/SLSMC Joint Strategic and Business Development Initiatives

During FY 2011, the SLSDC and SLSMC continued work on their joint strategic and business development initiatives to ensure that the two Seaway governing entities work toward the common goals of improving customer service and reducing costs. SLSDC and SLSMC officials met in Cornwall, Ont., on October 18-19, 2010, and Washington, D.C., on May 11-12, 2011.

The joint plan recognizes that the two Seaway entities share four common objectives: to manage the waterway as one seamless system for its customers; to increase trade; to increase the waterway's competitiveness; and to increase customer satisfaction.

SLSDC Continues Local 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. The SLSDC served as one of the corporate partners for the Tech Prep case studies. The students were asked to develop emergency response recommendations for the SLSDC and USCG in regards to lessons learned from the Deepwater Horizon Spill and in lieu of a possible nuclear shipment within the Seaway System.

Jefferson Elementary School's fifth graders participated in the Seaway's National Transportation Week Poster Contest. The SLSDC selected the contest winners and Corporation Public Information Officer Vicki Garcia presented them with U. S. Savings Bonds. In addition, as part of the Jefferson Elementary School's Annual Outdoor Activities Week, 65 sixth-grade students were given a presentation on the St. Lawrence Seaway and safe boating by SLSDC employees.

National Transportation poster contest winner Payne Benedict proudly displays his poster with his teacher, Ms. Coffin, Jefferson Elementary, Massena, New York.

U.S. Transportation Secretary Ray LaHood Visits the Massena Operations

The U.S. Secretary of Transportation Ray LaHood, made an official visit to the Massena, N.Y. operations and facilities on December 3, 2010, met with SLSDC personnel, and experienced first-hand the important work that keeps the St. Lawrence Seaway a safe, reliable and efficient operation.

U.S. Transportation Secretary Ray LaHood (seated in the middle) meets with representatives of Canadian Carrier Stakeholders, Trade Associations, and Transport Canada.

After the tour in Massena, N.Y., Secretary LaHood traveled to Montreal, Que., to meet with major Canadian maritime stakeholders and Transport Canada officials to discuss issues affecting the Seaway System, including ballast water regulations, short sea shipping, infrastructure funding, the Canadian marine industry's economic importance to both countries, and private investment in new assets. Secretary LaHood emphasized his support for the Seaway's efforts to prepare for the future, including initiatives that renew aging infrastructure, adopt new marine technologies, and utilize the benefits of short sea shipping.

Safety

Enhanced Seaway Inspections – "Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Que., outside of U.S. waters, each navigation season." The goal was achieved during the 2010 season, with 245 vessel inspections conducted by SLSDC personnel. In 2011, through September 30, 180 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 2010 season with an availability rate of 99.4 percent. System availability during the 2011 navigation season, through September 30, was 99.2 percent.

Lock Equipment Maintenance – "Minimize vessel delays due to lock equipment failure or malfunction." The goal each year is zero hours of delay. In 2010, the goal was not met when the SLSDC recorded 10 hours, 46 minutes of lock-related delays. Lock-related delays in 2011, through September 30, totaled 2 hours, 29 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 2011 at 22 percent.

Financial Reserve Balance – "Maintain/increase the financial reserve account to ensure contingency funding for catastrophic emergencies and funding for critical capital and extraordinary maintenance projects." The goal each year is to maintain a minimum year-end balance of $10 million. The financial reserve goal was met in FY 2011 with a year-end balance of $12.2 million.

Financial Audit Opinion – "Achieve an unqualified opinion (clean audit) in the independent examination of financial statements as well as no instances of non-compliance with laws and regulations or material weaknesses in internal control as they relate to financial reporting." The goal was achieved in FY 2011 as the Corporation received its 47th consecutive unqualified opinion of its financial statements for FY 2010 with no material weaknesses or reportable conditions in November 2010.

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, 2011 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, 2011, 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 2011 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, 2011 and 2010, 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, 2011. 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, 2011 and 2010, 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 14, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and performance measures and results information on pages 3 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Chiampou Travis Besaw & Kershner LLP

October 14, 2011

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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, 2011, and have issued our report thereon dated October 14, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 or other matters 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 am dots distribution is not limited.

Chiampou Travis Besaw & Kershner LLP

October 14, 2011

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

Assets	2011	2010
Current Assets		
Cash		
Held by U.S. Treasury	**$ 24,131,299**	$ 25,814,852
Held in banks and on hand	**154,311**	149,129
Short-term time deposits in minority banks (Note 3)	**8,878,000**	8,319,000
Accounts receivable (Note 4)	**459,157**	86,011
Inventories (Note 2)	**273,305**	266,485
Other current assets (Note 4)	**26,320**	760
Total current assets	**33,922,392**	34,636,237
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	**1,836,000**	2,839,000
Plant, Property and Equipment		
Plant in service (Note 5)	**174,916,955**	167,368,716
Less: Accumulated depreciation	**(96,855,579)**	(94,419,073)
Net plant in service	**78,061,376**	72,949,643
Work in progress	**6,722,740**	2,736,892
	84,784,116	75,686,535
Other Assets		
Lock spare parts (Note 2)	**506,726**	592,798
Investment in Seaway International Bridge Corporation, Ltd. (Note 6)	**7,440**	7,440
	514,166	600,238
Deferred Charges		
Worker's compensation benefits (Note 2)	**4,242,279**	3,546,453
Total assets	**$ 125,298,953**	$ 117,308,463

See Notes to Financial Statements

(Continued)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

Liabilities and Equity of the U.S. Government	2011	2010
Current Liabilities		
Accounts payable	$ 5,243,975	$ 2,176,639
Accrued annual leave (Note 2)	876,388	938,438
Accrued payroll costs	782,952	709,212
Total current liabilities	6,903,315	3,824,289
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	4,242,279	3,546,453
Total liabilities	11,145,594	7,370,742
Equity of the U.S. Government		
Invested capital (Note 2)	99,920,854	90,818,301
Cumulative results of operations	14,232,505	19,119,420
	114,153,359	109,937,721
Total liabilities and equity of the U.S. Government	$ 125,298,953	$ 117,308,463

See Notes to Financial Statements

(Concluded)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES
IN CUMULATIVE RESULTS OF OPERATIONS
For the Years Ended September 30, 2011 and 2010

	2011	2010
Operating Revenues		
Appropriations expended	$ 20,542,485	$ 27,662,523
Imputed financing (Note 9)	1,016,146	1,100,929
Other (Note 7)	760,031	611,647
Total operating revenues	22,318,662	29,375,099
Operating Expenses (Note 8)		
Locks and marine operations	3,540,903	3,668,387
Maintenance and engineering	13,797,652	9,499,077
General and development	5,185,969	4,743,277
Administrative expenses	3,831,873	3,710,622
Depreciation	2,614,314	2,504,038
Imputed expenses (Note 9)	1,016,146	1,100,929
Total operating expenses	29,986,857	25,226,330
Operating (loss) income	(7,668,195)	4,148,769
Other Financing Sources		
Interest on deposits in minority banks	162,385	230,296
Transfer from non-expenditure funding source	4,581	
Transfer from invested capital for depreciation	2,614,314	2,504,038
Total other financing sources	2,781,280	2,734,334
Operating revenues and other financing sources (under) over operating expenses	(4,886,915)	6,883,103
Beginning cumulative results of operations	19,119,420	12,236,317
Ending cumulative results of operations	$ 14,232,505	$ 19,119,420

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Operating revenues and other financing sources (under) over operating expenses	$ (4,886,915)	$ 6,883,103
Adjustments to reconcile operating revenues and other financing sources (under) over operating expenses to net cash (used in) provided by operating activities:		
Depreciation	2,614,314	2,504,038
Transfer from invested capital for depreciation	(2,614,314)	(2,504,038)
Net gain on property disposals	(10,869)	(3,060)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(373,146)	27,109
Decrease (increase) in inventories	(6,820)	81
Decrease (increase) in other current assets	(25,560)	25,840
Decrease in other assets	85,515	21,384
Increase in accounts payable	3,067,336	247,321
Increase in accrued liabilities	11,690	112,516
Net cash (used in) provided by operating activities	(2,138,769)	7,314,294
Cash flows from investing activities:		
Proceeds from property disposals	16,398	7,155
Acquisition of plant, property and equipment	(11,716,867)	(4,661,477)
Net decrease (increase) in time deposits	444,000	(98,000)
Net cash used in investing activities	(11,256,469)	(4,752,322)
Cash flows from financing activities:		
Appropriations for plant, property and equipment	11,716,867	4,661,477
Net (decrease) increase in cash	(1,678,371)	7,223,449
Cash at beginning of year	25,963,981	18,740,532
Cash at end of year	$ 24,285,610	$ 25,963,981

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENT OF BUDGETARY RESOURCES AND ACTUAL EXPENSES (NOTE 12)
For the Year Ended September 30, 2011

	Budget		
	Resources	**Obligations**	**Expenses**
Saint Lawrence Seaway Development Corporation Fund	$ 48,402,381	$ 33,009,051	$ 29,986,857
Budget Reconciliation:			
Total expenses			29,986,857
Adjustments			
Add:			
Capital acquisitions			11,716,867
Deduct:			
Depreciation			(2,614,314)
Imputed expenses			(1,016,146)
Decrease in net plant in service, property disposals			(5,529)
Increase in inventories			6,820
Decrease in other assets			(85,515)
Less reimbursements:			
Trust funds			(32,259,352)
Revenues from non-federal sources			(922,416)
Transfer in from federal sources			(4,581)
Accrued expenditures			$ 4,802,691

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
For the Years Ended September 30, 2011 and 2010

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2009	$ 88,660,862	$ -	$ 12,236,317
Appropriations expended	-	(27,662,523)	27,662,523
Fiscal Year 2010 appropriations	-	32,324,000	-
Other financing sources	-	-	1,942,872
Operating expenses, excluding depreciation and imputed expenses	-	-	(21,621,363)
Depreciation expense	-	-	(2,504,038)
Imputed expenses	-	-	(1,100,929)
Transfer from invested capital for depreciation	(2,504,038)	-	2,504,038
Capital expenditures	4,661,477	(4,661,477)	-
Balance, September 30, 2010	90,818,301	-	19,119,420
Appropriations expended	-	(20,542,485)	20,542,485
Fiscal Year 2011 appropriations	-	32,259,352	-
Other financing sources	-	-	1,938,562
Operating expenses, excluding depreciation and imputed expenses	-	-	(26,356,397)
Depreciation expense	-	-	(2,614,314)
Imputed expenses	-	-	(1,016,146)
Transfer from non-expenditure funding source	-	-	4,581
Transfer from invested capital for depreciation	(2,614,314)		2,614,314
Capital expenditures	11,716,867	(11,716,867)	-
Balance, September 30, 2011	$ 99,920,854	$ -	$ 14,232,505

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2011 and 2010

Note 1. The Corporation

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

Note 2. Summary of Significant Accounting Policies

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

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

Plant, property and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959, have been allocated to the permanent features of the Seaway. Assets, improvements and betterments costing $5,000 or more are capitalized when they have an expected useful life of two years or more. Repairs and maintenance costs are expensed. The straight-line method of depreciation is used and is computed on balances in plant in service. The cost of plant retired and the accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

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

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

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

The Corporation funds a program administered by the U.S. Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year (FY) 1994, the actuarial liability of these benefits are recognized and recorded in these financial statements. The liability and deferred charge recorded of $4,242,279 and $3,546,453 at September 30, 2011 and 2010, respectively, reflects the actuarial liability as determined by the Department of Labor.

Seaway Tolls

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

Invested Capital

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

Budget Authority

The Corporation was apportioned authority by the Office of Management and Budget (OMB) to obligate a maximum amount of $34,659,352 for FY 2011, $32,259,352 from the Fund (Public Law 112-10), $900,000 from non-federal revenues, and $1,500,000 from the Corporation's unobligated balance. FY 2011 funding includes year three of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $33,009,051 for FY 2011. The Corporation's unobligated balance at September 30, 2011 totaled $15.4 million including $3.2 million unused borrowing authority. For FY 2012, the Corporation is operating on a Continuing Resolution based on the FY 2011 level reduced by 1.503 percent for a current rate of $31,774,000. In addition, authority to obligate $900,000 of non-federal revenues has been apportioned by OMB for FY 2012.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2011 and 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, 2011 and 2010 are as follows:

	2011	2010
Federal Railroad Administration	$ 310,301	$ -
Due from concession contracts	111,584	44,306
Other	56,904	33,183
Interest on deposits in minority banks	6,688	9,282
Total	$ 485,477	$ 86,771

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2011 and 2010

Note 5. Plant in Service

Plant in service as of September 30, 2011 and 2010 is as follows:

Plant in Service	Estimated Life (Years)	2011 Cost	2011 Accumulated Depreciation	2010 Cost	2010 Accumulated Depreciation
Locks and guidewalls	40 - 100	$ 82,177,158	$ 45,650,784	$ 78,000,245	$ 43,613,767
Channels and canals	95	36,870,221	18,327,447	36,870,221	17,940,309
Buildings, grounds and utilities	50	16,771,752	7,497,119	16,002,923	7,166,513
Permanent operating equipment	5 - 40	15,950,909	9,878,326	15,412,188	9,524,042
Roads and bridges	50	12,564,980	9,288,554	10,596,835	9,073,337
Land rights & relocations	95	5,639,064	2,827,168	5,639,065	2,767,958
Navigation aids	10 - 40	3,145,171	2,648,203	3,061,504	2,613,577
Public use facilities	50	930,374	737,978	918,409	719,570
Lands in fee	N/A	867,326	-	867,326	-
Total plant in service		$ 174,916,955	$96,855,579	$167,368,716	$ 94,419,073

The U.S. portion of the St. Lawrence Seaway was built in the late 1950s. The Corporation developed, as part of its FY 2009 budget request to Congress, a ten-year Asset Renewal Program (ARP) estimated at $186 million to address the long-term asset renewal needs of the aging U.S. Seaway Infrastructure. The ARP includes various needs for the two U.S. Seaway Locks, the Seaway International Bridge, maintenance dredging, operational systems, and Corporation facilities and equipment. The total amount that has been expended and/or committed (including undelivered orders) in the program through September 30, 2011, excluding personnel compensation, amounted to $49,709,903.

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, 2011 and 2010 consist of the following:

	2011	2010
Concession operations	$ 480,976	$ 366,225
Pleasure craft/non-commercial tolls	111,824	106,522
Miscellaneous	90,041	52,750
Rental of administration building	51,140	49,615
Gain on property disposals	10,870	7,155
Shippers' payments for damages to locks, net	10,668	15,693
Vessel services	4,512	13,687
Total	$ 760,031	$ 611,647

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

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2011 and 2010

Note 8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2011 and 2010 are as follows:

	2011	2010
Personnel services and benefits	**$ 13,117,669**	$ 12,954,553
Contractual services	**11,552,392**	7,114,605
Supplies and materials	**825,989**	747,585
Rental, communications and utilities	**473,743**	465,075
Travel and transportation	**230,116**	219,168
Equipment not capitalized	**141,833**	104,753
Printing and reproduction	**14,655**	11,529
Loss on property disposals	**-**	4,095
Subtotal	**26,356,397**	21,621,363
Depreciation expense	**2,614,314**	2,504,038
Imputed expenses	**1,016,146**	1,100,929
Total operating expenses	**$ 29,986,857**	$ 25,226,330

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, 2011 and 2010 as follows:

	2011	2010
Federal Employees Retirement System:		
Automatic contributions	**$ 968,568**	$ 912,324
Matching contributions	**264,546**	251,837
Social Security	**505,330**	484,254
Civil Service Retirement System	**108,152**	128,029
Total	**$ 1,846,596**	$ 1,776,444

Note 9. Retirement Plans *(continued)*

Effective with FY 1997, the Corporation recognizes and records the cost of pensions and other post-retirement benefits during employees' active years of service, based on cost factors provided by the Office of Personnel Management (OPM). These costs are recorded as both an expense paid by another entity and an imputed financing source to the receiving entity; therefore, they offset each other with no impact upon the Corporation's net position. The imputed financing and offsetting imputed expense amounts for the years ended September 30, 2011 and 2010 were $1,016,146 and $1,100,929, 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, 2011 and 2010, revenue totaled $46,813 and $45,790 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 $305,479 and $304,491 for fiscal years 2011 and 2010, respectively.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Reimbursable agreements with federal agencies for FY 2011 and FY 2010 were as follows:

	2011	2010
Office of the Secretary of Transportation	$ **58,063**	$ 56,955
Federal Highway Administration	**50,922**	-
Volpe National Transportation Systems Center	**28,000**	-
Federal Aviation Administration	**13,916**	13,784
General Services Administration	**10,349**	10,093
Department of Commerce	**9,653**	9,460
Office of Personnel Management	**1,486**	1,045
U.S. Census Bureau	**982**	1,256
Federal Occupational Health	**338**	338
Department of Health & Human Services	**84**	81
Department of Education	**27**	25
National Science Foundation	**25**	28
Maritime Administration	**-**	2,400
Total	**$ 173,845**	$ 95,465

Accounts payable and accrued payroll benefits at September 30, 2011 and 2010 include $1,827,584 and $1,180,940 respectively, of amounts payable to the U.S. Government.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2011 and 2010

Note 10. Related Party Transactions *(continued)*

In fiscal years 2011 and 2010, the Corporation accrued costs of $124,615 and $116,377, 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, 2011, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2011 and 2010 there were undelivered orders and contracts outstanding amounting to $16,388,442 and $21,494,725, respectively.

Through Fiscal Year 2011, the Corporation leased office space in Washington, D.C. from the General Services Administration. The lease covered multiple fiscal years; however financial obligation is for the current fiscal year only. Effective October 1, 2011, the Corporation has relocated its leased offices in Washington, D.C. under the terms of an Intraagency Agreement (IAA) with the Federal Aviation Administration. This IAA is for multiple years and terminates with the expiration of Lease DTFAWA-10-L-00002 on March 31, 2021. The Corporation's existing lease with the General Services Administration was assumed by the Federal Railroad Administration.

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

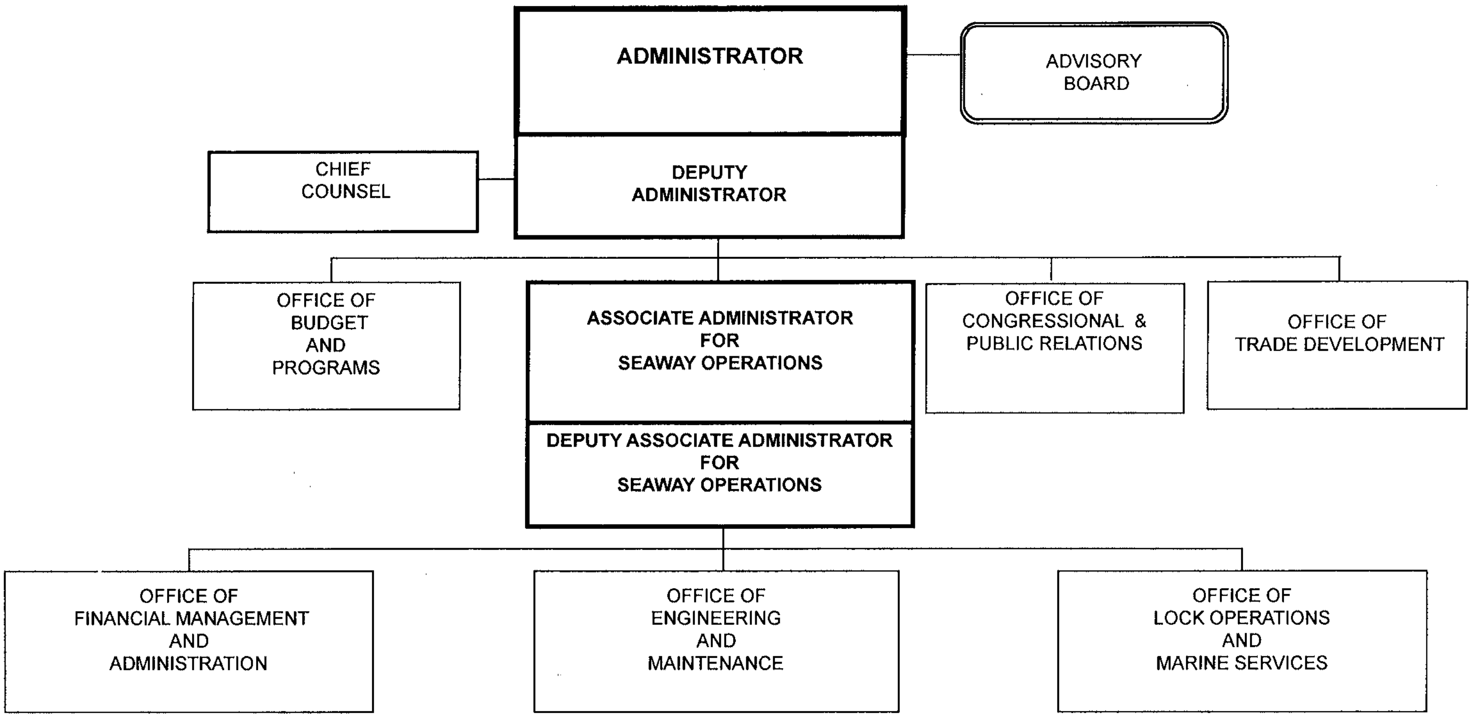
The Statement of Budgetary Resources and Actual Expenses presents budget information as reported on the Corporation's "Report on Budget Execution" SF-133 and reconciles accrued expenditures from that report to expenses as reported in the accompanying financial statements.

Budget resources of $48,402,381 consist of the Corporation's unobligated balance of $15,089,737 brought forward from October 1, 2010, and reimbursements earned of $33,181,767 and recoveries of prior year's obligations of $126,296, and a transfer of unobligated balance from another federal account of $4,581 during FY 2011.

* * * * *

ORGANIZATIONAL CHART

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION



ADVISORY BOARD

The SLSDC has a statutorily mandated five-member Advisory Board, which reviews the general policies of the SLSDC and advises the Administrator with respect to these policies. The members of the Advisory Board are appointed by the President with the advice and consent of the U.S. Senate. There is currently one active member sitting on the SLSDC's Advisory Board - Charles "Trip" Dorkey, III, New York, N.Y.

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

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