

Saint Lawrence Seaway Development Corporation

Fiscal Year 2016 Annual Report



The Great Lakes St. Lawrence Seaway System is a binational waterway connecting world markets to North America's "Opportunity Belt" – the Great Lakes region.



AUTHORITY — The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation (USDOT or Department), is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and performing vessel traffic control operations in areas of the St. Lawrence River and Lake Ontario. In addition, the Corporation performs economic and trade development activities designed to enhance Great Lakes St. Lawrence Seaway System utilization.

The SLSDC directly interacts with numerous U.S. and Canadian government agencies, private industry and other stakeholders to carry out its mission. The Corporation coordinates its activities with its Canadian counterpart, The St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day waterway and lock operations, traffic management, navigation aids, safety, environmental programs, operation dates, and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway Corporations.

The St. Lawrence Seaway directly serves the eight-state, two-province region, which represents the world's third largest economy with economic output of nearly \$6 billion annually. Maritime commerce on the Great Lakes Seaway System annually sustains more than 225,000 U.S. and Canadian jobs, \$14 billion in personal income, \$34 billion in transportation-related business revenue, \$6 billion in local purchases, and \$5 billion in federal, state, provincial, and local taxes. The binational waterway also provides approximately \$4 billion in annual transportation cost savings compared to competing rail and highway routes.

The Corporation's operational staff and facilities are located in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell). The SLSDC's policy headquarters is located in Washington, D.C. The SLSDC also maintains a trade and economic development office in Cleveland, Ohio as part of its Great Lakes Regional Initiative.

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

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

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



Contents

02	Financial Highlights for Fiscal Year 2016
06	Operational Initiatives
08	Environmental Initiatives
10	Trade and Economic Development Initiatives
14	Management Initiatives
18	FY 2016 Key Performance Measures and Results
19	Corporation's Statement on Internal Accounting and Administrative Control System
20	Report of Independent Auditors on the Financial Statements
22	Statements of Financial Position
24	Statements of Operations and Changes in Cumulative Results of Operations
25	Statements of Cash Flows
26	Statements of Budgetary Resources and Actual Expenses
27	Statements of Changes in Equity of the U.S. Government
28	Notes to Financial Statements
36	Schedule of Findings and Questioned Costs
37	Organization Chart, Advisory Board, and Contacts



Saint Lawrence Seaway
Development Corporation

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Financial Highlights for Fiscal Year 2016

Each year, the SLSDC reports its financial position and results of operations, pursuant to the requirements of the Chief Financial Officers Act of 1990.

Selected Financial Indicators* (in thousands of dollars)

For the Fiscal Years Ended September 30	2016	2015	Change	
			\$	%
Operating Revenues	17,742	18,751	(1,009)	(5)
HMTF Appropriations expended	17,139	18,114	(975)	(5)
Other	603	637	(34)	(5)
Operating Expenses	17,935	17,587	348	2
Personnel services and benefits	13,883	13,418	465	3
Other	4,052	4,169	(117)	(3)
Imputed Financing and Expenses				
Imputed financing	843	839	4	1
Imputed expenses	843	839	4	1
Total Assets	181,189	174,358	6,831	4
Time Deposits in Minority Banks	10,495	10,207	288	3
Short-term	8,513	7,452	1,061	14
Long-term	1,982	2,755	(773)	(28)
Interest Income from Minority Banks	74	60	13	22

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

BELOW: 2016 Navigation Season Opening – (L-R): Terence Bowles, President and CEO, SLSMC; Jerry Stemmler, Chief Engineer, CSL Thunder Bay; Captain Jason Church, CSL Thunder Bay; Betty Sutton, Administrator, SLSDC; Francois Allard, Director Marine Distribution, K+S Windsor Salt Ltd., and Allister Patterson, President, CSL.

Corporation Financing

Until 1987, the Corporation was a self-sustaining entity and financed its operations and investments in plant and equipment by charging tolls to commercial 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 SLSDC. 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 federal agency through user fee-based revenues derived from the HMTF. The Harbor Maintenance Tax (HMT) is a fee collected from users of the nation's maritime transportation system in order to fund the federal portion of U.S. commercial navigation operations and maintenance, including annual SLSDC expenses. The HMT is assessed as a 0.125 percent "ad valorem" user fee on cargo transported between any two U.S. coastal ports, including Great Lakes Seaway System ports, and cargo imported to U.S. ports from other countries. The HMT does not apply to U.S. export cargo.

Operating Revenues

Operating revenues, excluding imputed financing, totaled \$17.7 million in Fiscal Year (FY) 2016, a \$1 million decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, decreased \$975,000 and other revenues decreased \$34,000.

Operating Expenses

Overall operating expenses of \$17.9 million, excluding depreciation and imputed expenses, increased by \$348,000. Personnel services and benefits increased \$465,000 and other costs decreased \$117,000. Personnel services and benefits represented 77 percent of the Corporation's operating expenses in FY 2016.

Other costs of \$4.1 million included: \$2.4 million for other contractual services; \$1.1 million for supplies and materials; \$241,000 for travel and transportation of persons and things; \$157,000 for rent, communications, and utilities; \$69,000 for equipment not capitalized; and \$14,000 for printing and reproduction.

The Corporation employed 134 people on September 30, 2016, including 4 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 \$181 million. Plant, property, and equipment are valued at \$141 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the Corporation is time deposits in minority banks, totaling \$10.5 million at year-end, an increase of \$288,000. An increased investment level with higher interest rates led to a 22 percent increase in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.

Unobligated Balance

The Corporation had an unobligated balance on September 30, 2016 of \$15.1 million, comprised of \$3.2 million of unused borrowing authority and \$11.9 million in financial reserves. The reserve is maintained to finance emergency or extraordinary expenditures to ensure safe and uninterrupted use of the Seaway, a policy affirmed by the U.S. Department of Transportation, Office of Management and Budget, and the U.S. Congress in Appropriation Committee reports. The funds on deposit in minority banks were principally built up from toll income in excess of cash outlays prior to April 1, 1987, when the Corporation was a self-sustaining entity, and are invested in insured deposits consistent with Executive Order 11625 (October 13, 1971).

Agency Operations

Other-than-personnel expenditures for Agency Operations totaled \$4.0 million. Specific operating expenditures for Agency Operations included: \$1.5 million for general office charges; \$1 million for special operating projects; \$283,000 for general operating expenses; \$280,000 for lock inspection and maintenance; \$232,000 for building maintenance; \$181,000 for training and conferences; \$179,000 for equipment, vehicle, and vessel maintenance; and \$96,000 for navigational aids maintenance.

SLSDC's Asset Renewal Program

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

The projects included in the ARP 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 2016, the SLSDC obligated \$10.9 million on 15 ARP projects for Year Eight of its ARP, which primarily included obligations of \$9.2 million for the first phase of replacing the SLSDC's tugboat *Robinson Bay* and \$1.6 million to continue installation of hands-free mooring system technology at Eisenhower Lock.

Other-than-personnel ARP expenditures in FY 2016, not including undelivered orders, also totaled \$10.9 million and included: \$6.5 million to install hands-free mooring system technology at Eisenhower Lock; \$2.1 million for miter gate machinery upgrades; \$716,000 to improve access to and rehabilitate machinery in crossovers and recesses; \$610,000 to replace culvert valves; \$334,000 to rehabilitate the highway tunnel; and \$308,000 to replace roofs.



Details on ARP projects with FY 2016 expenditures:

ARP PROJECT NO. 7: *Both Locks – Culvert Valves – Replace with Single Skin Valves* — Custom Fabrication and Coatings completed fabricating the remaining four single-skin culvert valves with struts, and St. Louis Testing Laboratories inspected the work to ensure specification conformance. The new valves and struts have been received.

ARP PROJECT NO. 13: *Corporation Facilities – Replace Roofs* — Sierra Delta was awarded a contract to replace several membrane roof systems on buildings located at the SLSDC's Maintenance Base facility. The work was completed and the new roof systems have been supplied with a 30-year warranty agreement.

ARP PROJECT NO. 15: *Eisenhower Lock – Highway Tunnel – Rehabilitate* — Phoenix Group Contracting completed the work to upgrade the electrical distribution system and LED lighting system in the tunnel at Eisenhower Lock. The upgraded tunnel lighting system has been installed in compliance with current industry standards and regulations.

ARP PROJECT NO. 23: *Both Locks – Install Hands-Free Mooring System Technology* — Kubricky Construction will complete the installation of the hands-free mooring (HFM) slots and railings at Eisenhower Lock during the 2017 winter shutdown period. The HFM units for Eisenhower Lock were received from the manufacturer and are planned to be installed and commissioned during the 2017 navigation season.

ARP PROJECT NO. 43: *Both Locks – Miter Gate Machinery* — Philadelphia Gear continued to rehabilitate the existing gearing in the drive trains that open and close the miter gates and completed the remaining work at Snell Lock. Similar work was completed at Eisenhower Lock during the previous year.

ARP PROJECT NO. 60: *Both Locks – Improve Access to and Rehabilitate Machinery in Crossovers and Recesses* — Upstate Construction Services was awarded a contract to replace five steel stair towers ranging from 60 feet to 100 feet in depth that access several of the lock crossover tunnels at both locks. The work included removal of the existing stair towers and installation of new fiber-reinforced plastic stair tower assemblies at each location.



Operational Initiatives

\$10.9 Million Spent in FY 2016 on SLSDC ARP Infrastructure Projects

During FY 2016, the SLSDC continued to rehabilitate and modernize the U.S. Seaway infrastructure through its Asset Renewal Program (ARP). The ARP was started in FY 2009 to rehabilitate and modernize the SLSDC's lock infrastructure, vessels, facilities, and equipment in Massena, N.Y.

In FY 2016, the SLSDC obligated \$10.9 million on 15 ARP projects, which primarily included obligations of \$9.2 million for the first phase of replacing the SLSDC's tugboat *Robinson Bay* and \$1.6 million to continue installation of hands-free mooring system technology at Eisenhower Lock. Through the first eight years of ARP funding (FYs 2009-2016), the SLSDC has obligated \$120 million on 48 separate projects.

The start of the ARP in 2009 represented the first time in the SLSDC's 50-year history that a comprehensive effort had been undertaken to modernize the Seaway infrastructure, including rehabilitation of and improvements to the U.S.-operated locks, the navigation channels, the Seaway International Bridge, and other Corporation facilities and assets located in Upstate New York. None

of the ARP projects increases the authorized depth or width of the navigation channel or the size of the lock facilities.

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

The completion of ARP projects will extend the life of the U.S. Seaway infrastructure and reduce the risk of system delays to commercial navigation caused by lock equipment malfunction. In addition, several ARP projects will involve the implementation of new and improved technologies for the operation of the Seaway infrastructure, resulting in reduced maintenance needs and operating costs to Seaway users.

BELOW: SLSDC boom deployment boats were utilized to assist and enhance training efforts.

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

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. The inspection focuses on safety and environmental protection issues and occurs in Montreal, Que., before the vessel enters the Seaway and U.S. waters. The SLSDC and the U.S. Coast Guard (USCG) signed a Memorandum of Understanding (MOU) in March 1997 to develop this program of coordinated vessel inspection and associated enforcement activities. This MOU was also developed in conjunction with the Canadian SLSMC and Transport Canada and continues to guide Seaway maritime policies and procedures. The ESI program facilitates commercial transit of shipping through the Great Lakes St. Lawrence Seaway System, while maintaining strict safety and environmental standards.

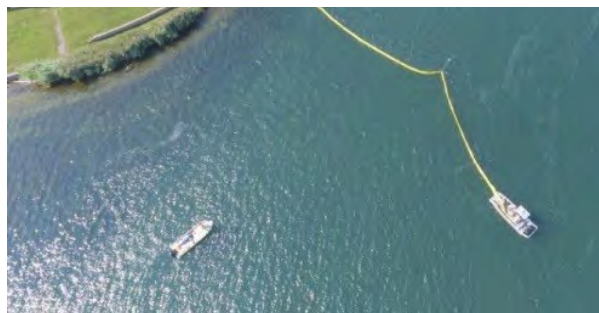
ESI inspections are jointly performed by SLSDC and SLSMC marine inspectors. Each inspection covers both Seaway-specific fittings as well as port state control items identified by the USCG and Transport Canada as required for Great Lakes-Seaway vessel transits. In the event that major deficiencies are identified, Transport Canada and the USCG are notified and the vessel is detained in Montreal until all deficiencies are cleared.

The proactive approach and continued improvement of the inspection program has been successful in reducing the number and frequency of incidents both on the St. Lawrence River and in and around the lock facilities. In addition, the inspection program has eliminated the practice of duplicative inspections, allowing for a more seamless and efficient transit of the Seaway.

The SLSDC's goal for performing inspections of all foreign-flag vessels on their initial Seaway transit each year was achieved during the 2015 navigation season, with 240 inspections conducted by SLSDC personnel. As of September 30, 192 vessel inspections had been completed in 2016.

SLSDC Participates in Annual Emergency Exercise

The SLSDC sustains an Emergency Response Plan that enhances the Corporation's ability to respond to any vessel incident. The SLSDC works closely with local, tribal, state, and federal agencies to prepare for a quick and safe response to mitigate the impact of an accident or spill on the local environment and on Seaway trade and commerce. Annual training and drills are practiced to ensure that resources are adequate for an effective response. Most training and drills include the participation of federal, state, and local response agencies and environmental groups. Since 1992, the SLSDC has participated in and/or hosted 36 emergency exercises.



In August 2016, the SLSDC participated in an emergency response exercise, co-hosted by the St. Regis Mohawk Tribal Council. The exercise also included participation by the U.S. and Canadian Coast Guards and other local response agencies. The following day, the SLSDC Marine Services Division held a regional planning and boom deployment exercise on the St. Lawrence River. The team set out to provide local responders with practical training in boom deployment, handling, watercraft maneuvering, and testing of local response capabilities in advance of a potential spill in Tribal waters. SLSDC boom deployment boats were utilized to assist and enhance training efforts.



Environmental Initiatives

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

In February 2016, a new report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2015 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 *2015 Summary of Great Lakes Seaway Ballast Water Working Group* examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. During 2015, 100 percent of the ships bound for the Great Lakes from outside the Exclusive Economic Zone (EEZ) received a ballast tank exam prior to entering the St. Lawrence Seaway for the seventh consecutive year. Vessels that had not conducted a ballast water exchange or flush were required to either retain the ballast water and residuals on board, treat the ballast water in an environmentally sound and approved manner, or return to sea to conduct a ballast water exchange.

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 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. The BWWG directly supports the SLSDC's "Environmental Gatekeeper" role.

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.

TOP: Accepting the 2015 Green Marine Certificate is Thomas Lavigne (left), Associate Administrator, SLSDC, and David Bolduc, Executive Director, Green Marine.

SLSDC Continues to Support Binational “Green Marine” Program; Achieves High Level of Environmental Performance



In FY 2016, the SLSDC continued to support and participate in the U.S.-Canadian “Green Marine” initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry’s commitment to addressing a number of key environmental issues.

The objective of the Green Marine program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and to develop a greater awareness of the maritime industry’s activities,

benefits, and challenges. To accomplish this, Green Marine activities are directed towards strengthening the industry’s environmental standards and performance through a process of continuous improvement. The program focuses on helping the maritime industry represent itself uniformly, strengthening industry involvement in regulatory processes, and improving regulatory outcomes.

All Green Marine participants must complete a yearly self-evaluation to demonstrate their environmental performance based on numerous criteria and undergo an independent third-party verification to confirm the results and provide input and guidance on reaching the highest level. The performance indicators range on a scale from 1 to 5, with 1 representing regulatory compliance and 5 reflecting leadership and excellence.

For the 2015 rating period, the SLSDC and Canadian SLSMC had their results published as a single entry by Green Marine to reflect the binational nature of the Seaway and the collaborative work by both entities in pursuing environmental excellence. The SLSDC/SLSMC scored a 4.1 for Greenhouse Gases, Spill Prevention, and Community Impact, and earned a perfect score of 5.0 for Environmental Leadership.





Trade and Economic Development Initiatives

Regional Outreach Initiative Grows and Reaches New Great Lakes Stakeholders

The SLSDC's Great Lakes Regional Outreach Initiative, based in Cleveland, Ohio, continues to bring value-added benefits to the stakeholders it serves. The Initiative has sought to sustain and catalyze shipping throughout the Great Lakes St. Lawrence Seaway region by focusing on trade and economic development-related activities. Elevating the SLSDC's trade and economic development role in the Great Lakes region has been a priority for the agency for the past several years. In order to achieve this priority, the SLSDC has become more active in this area and continued to add resources to the program, which serves North America's "Opportunity Belt" – the Great Lakes region.

Since the Initiative was launched in February 2015, the SLSDC has been successful in achieving several of its initial goals for the program: identifying new business opportunities with U.S. and Canadian Great Lakes ports, securing new exhibition and speaking engagement opportunities to highlight shipping throughout the Great Lakes Seaway System, and providing, on an "as requested" basis, economic and trade expertise for

new and existing Great Lakes stakeholders. Through the Initiative, the SLSDC has focused on providing information to businesses, trade organizations, conferences, governmental organizations, and other stakeholders interested in learning more about the Great Lakes Seaway System, and discovering new import/export opportunities. These efforts support existing binational trade initiatives with the SLSMC, as taking place under the Highway H₂O marketing campaign, such as focusing on freight forwarder outreach in Houston, Texas, as well as targeting U.S. grain traders and shippers throughout North America.



OPPOSITE BOTTOM: U.S. Great Lakes Port Representatives tour the U.S. lock infrastructure of the St. Lawrence Seaway in Massena, New York on June 21, 2016. The tour was attended by U.S. port authorities as well as other economic and trade organizations.

BELOW LEFT: Great Lakes Delegation meets with potential customers at the breakbulk Americas Conference held in Houston, Texas.

BELOW RIGHT: Breakbulk Europe Conference Delegation – (L-R): Alan Taylor, European Representative; Adam Schlicht, SLSDC Great Lakes Regional Representative; and Kate Ferguson, Director of Business Development, Duluth Seaway Port Authority.

SLSDC Co-Hosts Domestic Trade Mission to Houston for Breakbulk Americas Conference



The SLSDC and the Canadian SLSMC co-hosted a domestic Seaway Trade Mission in September 2016 to Houston, Texas, to meet with trade and shipping executives and participate in and exhibit at the Breakbulk Americas conference. The visit to Houston also complemented the SLSDC/SLSMC joint trade development efforts throughout FY 2016 to visit the Houston area and meet with leading North American freight forwarders, logisticians, and other supply-chain decision makers to educate prospective stakeholders on commercial shipping on the Great Lakes Seaway System.

The Seaway Trade Mission program remains an integral opportunity for fostering new business, meeting with potential clients, and expanding foreign understanding of maritime commerce on the Great Lakes Seaway System. While in Houston, the delegation met with current and potential customers, organized industry presentations, toured local port and terminal operations, and exhibited at the Breakbulk Americas conference. Over the past decade, breakbulk cargoes have represented the highest-value goods moving through the Great Lakes Seaway System and have been the waterway's fastest growing cargo sector.

SLSDC Co-Leads Great Lakes Stakeholders Participation at Breakbulk Europe Conference

The SLSDC and the Canadian SLSMC co-led a binational delegation of Great Lakes Seaway System stakeholders at the annual Breakbulk Europe Conference and Exhibition in May 2016. Over 8,500 participants attended Breakbulk Europe 2016, including more than 350 international exhibitors, sponsors, and industry experts, representing a 15 percent increase from 2015. Breakbulk and project cargo represents the fastest growing cargo sector for Great Lakes Seaway commercial maritime traffic.

Organizations represented in the 2016 Highway H₂O delegation to Breakbulk Europe included the SLSDC, SLSMC, Cleveland-Cuyahoga County (Ohio) Port Authority, Duluth (Minn.) Seaway Port Authority, Port of Oswego (N.Y.) Authority, Thunder Bay Port Authority (Ont.), and the Quebec Stevedoring Company.



TOP: During the April 11, 2016, Green Bay Port Symposium, Administrator Betty Sutton presented the Robert J. Lewis Pacesetter plaque to the Port of Green Bay that registered a 42 percent increase in international cargo. (L-R): Troy Streckenbach, Brown County Executive; Betty Sutton, Administrator, SLSDC; Tom Klimek, President, Brown County Harbor Commission, and Dean Haen, Director, Port of Green Bay.

MIDDLE: Administrator Sutton (center) presented the Robert J. Lewis Pacesetter Award to Cleveland-Cuyahoga County Port Board Chairman Chris Ronayne (left) and Port President Will Friedman (right) as part of the Port's 2016 shipping season kick-off festivities. This is the Port of Cleveland's 14th time receiving this prestigious award.

BOTTOM: Pacesetter Award presentations (L-R): John Loftus, Executive Director, Detroit/Wayne County Port Authority; Pat Sutka, Nicolson Terminals (Detroit); Zelko Kirincich, Executive Director, Port of Oswego Authority; Wade Davis, Executive Director, Ogdensburg Bridge and Port Authority; Betty Sutton, Administrator, SLSDC; Sam LaMacchia, Ogdensburg Bridge and Port Authority Board of Directors; and Paul LaMarre, Port Director, Port of Monroe.



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

In FY 2016, the SLSDC announced that six U.S. Great Lakes Seaway System ports were winners of its Robert J. Lewis Pacesetter Award for registering increases in international cargo tonnage shipped through their ports during the 2015 navigation season compared to 2014.

The six ports that received the Pacesetter Award for 2015 were the Cleveland-Cuyahoga County (Ohio) Port Authority, Detroit/Wayne County (Mich.) Port Authority, Ogdensburg (N.Y.) Bridge and Port Authority, Port of Green Bay, Port of Monroe (Mich.), and Port of Oswego (N.Y.) Authority.

Commodities accounting for almost all of the increases in international cargoes handled by the six Pacesetter winners included asphalt, petroleum products, aluminum, steel, and grain. High value project cargo such as locomotive cars, electrical transformers, and fermentation tanks were also handled by the winners during the 2015 navigation season.

SLSDC Co-Sponsors Annual Highway H₂O Conference

The SLSDC co-sponsored and participated in the 11th Annual Highway H₂O Conference in Toronto, Ont., November 18-19, 2015. Conference speakers shared insights on economic activities and cargo trends, infrastructure developments that capture business opportunities, and innovation throughout the global maritime industry.

The theme of the conference was "Competitive. Progressive. Seamless. Your cargo on the move with Highway H₂O". It was the best attended and most sponsored conference in the program's 10-year history. The conference included presentations from SLSDC Administrator Betty Sutton, Deputy Administrator Craig Middlebrook, and Great Lakes Regional Representative

TOP: The 2016 Great Lakes St. Lawrence Seaway System delegation at the Seatrade Cruise Shipping Exhibition in Ft. Lauderdale, Florida.

BOTTOM: SLSDC Administrator Betty Sutton and SLSMC President & CEO Terence Bowles during the December 2016 Stakeholder Appreciation reception held in Montreal, Canada.

Adam Schlicht. Attendees provided positive feedback that the conference remains an excellent opportunity for networking and for understanding current trade dynamics across the Seaway System.

SLSDC Participates at Annual Seatrade Cruise Shipping Exhibition

In coordination with the Great Lakes Cruising Coalition, the SLSDC participated in the annual Seatrade Cruise Shipping Exhibition, March 14-17, 2016, in Ft. Lauderdale, Fla., as part of a larger Great Lakes Seaway System delegation. For more than 25 years, the cruise ship industry has gathered at the Seatrade Exhibition to promote every aspect of the marine passenger travel industry. The Great Lakes Seaway System delegation introduced cruising on the Great Lakes to new customers and reaffirmed the Great Lakes as one of the safest destinations for cruise ships as well as a comfortable environment for travelers seeking vacation options closer to home. The delegation also staffed an information booth at the conference. The 2016 event represented the 16th consecutive year that a Great Lakes Seaway System delegation has exhibited at the conference.

SLSDC and SLSMC Host Annual Stakeholder Appreciation Reception

In conjunction with the industry events surrounding the annual Montreal Marine Club dinner, the SLSDC and SLSMC sponsored its annual trade promotion and stakeholders appreciation reception in Montreal, Que., December 3, 2015. This event allows the Seaway Corporations to promote ongoing and future marketing efforts designed to raise the profile of the System and to increase tonnage and vessel activity. This event is also an opportunity to thank stakeholders for their continued support of the Great Lakes Seaway System. This year's reception was well attended with over 250 stakeholders representing 10 different countries and three continents.



Management Initiatives

SLSDC Hosts St. Lawrence Seaway Construction Workers Memorial Ceremony

On June 3, 2016, a public memorial ceremony hosted by the SLSDC was held at the Eisenhower Lock Visitors' Center to pay tribute to the workers who lost their lives during the original construction of the U.S. portion of the St. Lawrence Seaway. The event included family members of the deceased construction workers and several local elected officials.

The SLSDC erected a plaque at Eisenhower Lock commemorating the event and recognizing the lives lost during the Seaway construction. Family members delivered moving tributes about their loved ones. In addition, a few of the original construction workers also attended the ceremony and shared stories about their experiences while constructing the Seaway.

TOP: Bonnie Pearson (to the left of the plaque) from Ogdensburg, New York, was a huge advocate for this recognition to take place to honor her father (David Hanna), the first American worker who died while working on the construction of the Seaway as well as the others who lost their lives.

BOTTOM: Administrator Betty Sutton proudly stands with some of the original Seaway construction workers that were able to attend the Memorial Ceremony.



TOP: USDOT Secretary Anthony Foxx recognized North Country local and regional emergency responders who were part of the exceptional response effort in June 2016 when the Saint Laurent cruise ship accident happened with nearly 300 people onboard.

BOTTOM: Tim Walker, Port Director, Alexandria Bay Field Office, U.S. Customs and Border Protection, receives plaque from USDOT Secretary Anthony Foxx and SLSDC Administrator Betty Sutton during the North Country Emergency Responders Appreciation Ceremony held on October 20, 2015.

SLSDC Maintains ISO 9001:2008 Certification

In April 2016, the SLSDC successfully completed a two-day surveillance audit of its International Standards Organization (ISO) 9001:2008 certified quality management system, conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The ISO 9001:2008 standard focuses on self-assessment, ongoing improvements, and performance metrics. The review found that the SLSDC successfully carried out any corrective/preventive actions as warranted and detailed in the management system.

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

The SLSDC's certification is internationally recognized and complements the agency's marketing and trade development efforts overseas. Customer feedback is taken seriously and improvements are made as a result. Maintaining ISO certification has kept Corporation officials focused on finding better ways of operating the waterway, and recognizing how agency initiatives and decisions affect its customers, both internally and externally. Other benefits of the SLSDC's ISO certification include improved communications within the organization, redefined business processes that are clearly understood by employees, and integrated performance measurements and objectives with the agency's mission.

SLSDC, AFGE Local 1968 Approve New Collective Bargaining Agreement

On June 20, 2016, the SLSDC and American Federation of Government Employees (AFGE) Local 1968 penned their approval to a new three-year Collective Bargaining Agreement (CBA). The parties began negotiating in October 2015 and a voluntary agreement was reached on May 19, 2016. The new CBA is effective through September 30, 2018.

USDOT Secretary Foxx Visits Seaway Facilities to Honor Employees and Emergency Responders to June 2015 Saint Laurent Incident



On October 20, 2015, U.S. Transportation Secretary Anthony Foxx and SLSDC Administrator Betty Sutton recognized North Country local and regional emergency responders as well as SLSDC employees who were part of the exceptional response effort in June 2015 when the *Saint Laurent*, a cruise ship with nearly 300 people aboard, hit a concrete bumper while entering Eisenhower Lock. Representatives from approximately 25 emergency response organizations were presented plaques and honored during the ceremony for their outstanding service. The response to the incident was immediate, coordinated, and effective. As a result, the safety of the passengers and crew was protected, the vessel was quickly stabilized, and navigation was resumed within 42 hours.

LEFT: U.S. Department Secretary Award winners: (L-R): Jeffrey Scharf, Chief Engineer (Massena, NY); Joy Pasquariello, Public Affairs Specialist (Washington, DC); and Craig Middlebrook, Deputy Administrator.

SLSDC Employees and Teams Receive USDOT Secretarial Awards



On November 2, 2015, U.S. Transportation Secretary Anthony Foxx honored SLSDC employees at the 48th Annual DOT Secretary's Award Ceremony in Washington, D.C. Secretary Foxx awarded a Meritorious Achievement Award to Jeffrey Scharf, SLSDC Chief Engineer in the Massena, N.Y. office, for his management of the SLSDC's Asset Renewal Program (ARP) and his oversight of both the Occupational Safety and Health and Sustainability programs. Joy Pasquariello, Public Affairs Specialist in the Washington office, received an Equal Employment Opportunity/Affirmative Action Award to recognize her extraordinary efforts implementing successful outreach, hiring, development, advancement and retention strategies for the SLSDC workforce. The Department recognized Ms. Pasquariello for her outstanding contributions in advancing and sustaining programs in support of the Department's EEO goals and objectives.

SLSDC and SLSMC Continue to Work Collaboratively on Joint Strategic and Business Development Initiatives

During FY 2016, the SLSDC and SLSMC continued work on their joint strategic and business development initiative to ensure that the two Seaway governing entities continue to improve customer service and

reduce costs. SLSDC and SLSMC officials met June 22-23, 2016 in Massena, N.Y.

SLSDC and SLSMC senior managers delivered presentations in the areas of stakeholder engagement, business growth, and operational initiatives. Group discussions focused on coordination between the two agencies for continued service improvement, including follow-up on a number of priorities established at earlier binational sessions. Other topics at the meetings included: an update on the hands-free mooring project; alignment of asset renewal plans; implementation of ballast water regulations in the U.S. and Canada; utilization of the Highway H₂O marketing brand; organizational changes; and a review of joint outreach activities.

Equal Employment Opportunity

The goal each year is to create and maintain a model Equal Employment Opportunity (EEO) program, as required under both Title VII of the Civil Rights Act of 1964 (Title VII), as amended, 42 U.S.C. § 2000e et seq., and Section 501 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended, 29 U.S.C. § 791 et seq. A model EEO program effectively considers and addresses concerns arising under both Title VII and Section 501 of the Rehabilitation Act.

During fiscal year 2016 SLSDC EEO initiatives included outreach to Minority Serving Institutions (MSIs) around the Great Lakes region by working with the Milwaukee Area Technical College (MATC) to host a one-day live seminar on the Federal Hiring Process, collaborating on the first SLSDC whiteboard animation video to expand public outreach, and development and implementation of the corporate Anti-Harassment policy. In addition, the corporation continued to sustain initiatives from the previous fiscal year which included website review and video captioning to meet Section 508 compliance requirements, and annual EEO Assessment of programs and policies.

TOP: Great Lakes maritime leaders meet with Governor Walker's cabinet in Madison, Wisconsin.

SLSDC Participates in Great Lakes Seaway Partnership “Capital Day” Events in Indianapolis, Ind., and Madison, Wis.

The SLSDC, as a member of the Great Lakes Seaway Partnership, participated in two Partnership “Capital Day” events during FY 2016. These events are intended to educate state officials about the Great Lakes St. Lawrence Seaway System and to provide state policy-makers with a better understanding of the importance of the binational waterway to the state economy.

In November 2015, the SLSDC and Partnership members met with Indiana Governor Mike Pence, Lt. Gov. Sue Ellspermann, and public and private leaders from across the state. In September 2016, the SLSDC and Partnership representatives met with several Wisconsin state officials, including Lieutenant Governor Rebecca Kleefisch, cabinet members, and state legislators.



The Partnership, created in June 2015, brings together leading U.S. and Canadian maritime organizations working to enhance public understanding of the benefits of commercial shipping in the Great Lakes Seaway region of North America. The organization manages an education-focused communications program, sponsors research, and works closely with media, policy makers, community groups, allied industries, environmental stakeholders, and the general public to highlight the positive attributes of marine transportation.





SLSDC FY 2016 Key Performance Measures and Results

Safety

Enhanced Seaway Inspections — “Inspect 100 percent of ocean vessels during their first Seaway inbound transit at Montreal, Que., outside of U.S. waters, each navigation season.” The goal was achieved during the 2015 season, with 240 vessel inspections conducted by SLSDC personnel. In 2016, through September 30, 192 vessel inspections had been completed.

Reliability

System Reliability — “Ensure the reliability 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 system reliability. System reliability during the 2016 navigation season, through September 30, was 99.8 percent. Final FY 2016 system reliability was 99.7 percent.

Lock Availability — “Minimize vessel delays due to lock equipment failure or malfunction.” The goal each year is 99 percent lock availability. Lock availability in 2016, through September 30, was 99.9 percent. Final FY 2016 lock-related delays totaled 5 hours, 43 minutes, which produced a 99.9 percent availability rate.

Management Accountability

Administrative Expenses — “Reduce the administrative overhead expense ratio of total operating expenses, excluding ARP projects, depreciation, and imputed expenses, to 23 percent or lower.” The administrative expense ratio goal was met in FY 2016 at 23 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 2016 with a year-end balance of \$11.9 million.

Financial Audit Opinion — “Achieve an unmodified opinion (clean audit) in the independent examination of its annual financial statements.” The goal was achieved in FY 2016 as the Corporation received its 52nd consecutive unmodified opinion of its financial statements for FY 2015.

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, 2016 was performed in accordance with "Guidelines for Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government", issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the FMFIA, and accordingly included an evaluation of whether the system of internal accounting and administrative control of the Corporation was in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the Corporation are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities

may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, Congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A material weakness or non-conformance is a specific instance of non-compliance with the Integrity Act. Such weakness would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest. Each material non-conformance in a financial system merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant Congressional oversight committee; prevents the primary agency's financial system from achieving central control over agency financial transactions and resource balances; and/or prevents conformance of financial systems with financial information standards and/or financial system functional standards.

The results of the evaluations described in the second paragraph, assurances given by appropriate Corporation officials, and other information provided indicate that the system of internal accounting and administrative control of the Corporation in effect during the year ended September 30, 2016, 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 2016 and prior years.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Saint Lawrence Seaway Development Corporation (the "Corporation"), a wholly-owned U.S. Government corporation, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements". Those standards and Office of Management and Budget Bulletin No. 15-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2016 and 2015, and the respective changes in financial position, cash flows, budgetary resources and changes in equity of the U.S. Government for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Champion Travis Besaw & Kershner LLP
October 14, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements," the financial statements of Saint Lawrence Seaway Development Corporation (the "Corporation"), which comprise the statement of financial position as of September 30, 2016 and the related Statements of Operations and Changes in Cumulative Results of Operations, of Cash Flows, of Budgetary Resources and Actual Expenses, and of Changes in Equity of the U.S. Government for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016 we also considered the Corporation's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

Purpose of this Report

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

Chiangpou Travis Besaw & Kershner LLP
October 14, 2016

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

Assets	2016	2015
Current Assets		
Cash		
Held by U.S. Treasury	\$ 21,270,913	\$ 22,489,738
Due from SIBC (Note 6)	2,885,741	2,905,804
Short-term time deposits in minority banks (Note 3)	8,513,000	7,452,000
Accounts receivable (Note 4)	48,707	62,609
Inventories (Note 2)	403,003	299,478
Other current assets (Note 4)	15,415	17,920
Total current assets	<u>33,136,779</u>	<u>33,227,549</u>
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	<u>1,982,000</u>	<u>2,755,000</u>
Plant, Property and Equipment		
Plant in service (Note 5)	227,296,253	220,615,490
Less: Accumulated depreciation	<u>(111,396,828)</u>	<u>(108,011,857)</u>
Net plant in service	115,899,425	112,603,633
Information Software, net	1,404,585	1,648,861
Work in progress	24,113,088	19,387,733
	<u>141,417,098</u>	<u>133,640,227</u>
Other Assets		
Lock spare parts (Note 2)	<u>761,589</u>	<u>657,520</u>
Deferred Charges		
Worker's compensation benefits (Note 2)	<u>3,891,382</u>	<u>4,077,614</u>
Total assets	<u>\$ 181,188,848</u>	<u>\$ 174,357,910</u>

See Notes to Financial Statements

(Continued)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

Liabilities and Equity of the U.S. Government	2016	2015
Current Liabilities		
Accounts payable	\$ 2,269,560	\$ 3,017,232
Accrued annual leave (Note 2)	880,869	899,826
Accrued payroll costs	507,435	391,065
Reserve for future bridge repairs SIBC (Note 6)	2,885,741	2,905,804
Total current liabilities	6,543,605	7,213,927
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	3,891,382	4,077,614
Total liabilities	10,434,987	11,291,541
Equity of the U.S. Government		
Invested capital (Note 2)	156,605,801	148,798,397
Cumulative results of operations	14,148,060	14,267,972
	170,753,861	163,066,369
Total liabilities and equity of the U.S. Government	\$ 181,188,848	\$174,357,910

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, 2016 and 2015

	2016	2015
Operating Revenues		
Appropriations expended	\$ 17,138,917	\$ 18,114,062
Imputed financing (Note 9)	843,365	838,570
Other (Note 7)	602,566	637,051
Total operating revenues	<u>18,584,848</u>	<u>19,589,683</u>
Operating Expenses (Note 8)		
Locks and marine operations	5,750,012	4,526,804
Maintenance and engineering	5,729,456	5,099,809
General and development	1,740,240	4,263,989
Administrative expenses	4,715,303	3,696,827
Depreciation	3,785,808	3,487,588
Imputed expenses (Note 9)	843,365	838,570
Total operating expenses	<u>22,564,184</u>	<u>21,913,587</u>
Operating loss	<u>(3,979,336)</u>	<u>(2,323,904)</u>
Other Financing Sources		
Interest on deposits in minority banks	73,616	60,451
Transfer from invested capital for depreciation	3,785,808	3,487,588
Total other financing sources	<u>3,859,424</u>	<u>3,548,039</u>
Operating revenues and other financing sources (under) over operating expenses	<u>(119,912)</u>	1,224,135
Beginning cumulative results of operations	<u>14,267,972</u>	<u>13,043,837</u>
Ending cumulative results of operations	<u>\$ 14,148,060</u>	<u>\$ 14,267,972</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Operating revenues and other financing sources (under) over operating expenses	\$ (119,912)	\$ 1,224,135
Adjustments to reconcile operating revenues and other financing sources (under) over operating expenses to net cash (used in) provided by operating activities:		
Depreciation	3,785,808	3,487,588
Transfer from invested capital for depreciation	(3,785,808)	(3,487,588)
Net loss (gain) on property disposals	30,947	(16,146)
Change in assets and liabilities:		
Accounts receivable	13,902	11,324
Inventories	(103,525)	(15,290)
Other current assets	2,505	7,840
Other assets	(104,483)	29,201
Accounts payable	(747,672)	(108,545)
Accrued liabilities	97,413	1,528
Net cash (used in) provided by operating activities	<u>(930,825)</u>	<u>1,134,047</u>
Cash flows from investing activities:		
Proceeds from plant, property and equipment disposals	—	17,195
Acquisition of plant, property and equipment	(11,261,083)	(13,927,938)
Net increase in time deposits	(288,000)	(194,000)
Net cash used in investing activities	<u>(11,549,083)</u>	<u>(14,104,743)</u>
Cash flows from financing activities:		
Appropriations for plant, property and equipment	11,261,083	13,927,938
Net (decrease) increase in cash	(1,218,825)	957,242
Cash at beginning of year	22,489,738	21,532,496
Cash at end of year	\$ 21,270,913	\$ 22,489,738

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, 2016

	----- Budget -----		
	Resources	Obligations	Expenses
Saint Lawrence Seaway Development Corporation Fund	\$ 44,064,049	\$ 28,917,925	\$ 22,564,184
Budget Reconciliation:			
Total expenses			22,564,184
Adjustments			
Add:			
Capital acquisitions			11,261,083
Increase in inventories			103,525
Deduct:			
Depreciation			(3,785,808)
Imputed expenses			(843,365)
Increase in other assets			104,483
Decrease in net plant in service, property disposals			(30,947)
Less reimbursements:			
Trust funds			(28,400,000)
Revenues from non-federal sources			(676,182)
			<u> </u>
Accrued expenditures			<u>\$ 296,973</u>

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
 STATEMENTS OF CHANGES IN EQUITY OF THE U.S. GOVERNMENT
 For the Years Ended September 30, 2016 and 2015

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations
Balance, September 30, 2014	\$ 138,358,047	\$ —	\$ 13,043,837
Appropriations expended	—	(18,114,062)	18,114,062
Fiscal Year 2015 appropriations	—	32,042,000	—
Other financing sources	—	—	1,536,072
Operating expenses, excluding depreciation and imputed expenses	—	—	(17,587,429)
Depreciation expense	—	—	(3,487,588)
Imputed expenses	—	—	(838,570)
Transfer from invested capital for depreciation	(3,487,588)	—	3,487,588
Capital expenditures	13,927,938	(13,927,938)	—
Balance, September 30, 2015	148,798,397	—	14,267,972
Appropriations expended	—	(17,138,917)	17,138,917
Fiscal Year 2016 appropriations	—	28,400,000	—
Other financing sources	332,129	—	1,519,547
Operating expenses, excluding depreciation and imputed expenses	—	—	(17,935,011)
Depreciation expense	—	—	(3,785,808)
Imputed expenses	—	—	(843,365)
Transfer from invested capital for depreciation	(3,785,808)	—	3,785,808
Capital expenditures	11,261,083	(11,261,083)	—
Balance, September 30, 2016	<u>\$ 156,605,801</u>	<u>\$ —</u>	<u>\$ 14,148,060</u>

See Notes to Financial Statements

Note 1. The Corporation

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

Note 2. Summary of Significant Accounting Policies

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

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

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.

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 \$3,891,382 and \$4,077,614 at September 30, 2016 and 2015, respectively, reflects the actuarial liability as determined by the Department of Labor.

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 \$32,350,000 for FY 2016, \$28,400,000 from the Fund (Public Laws 114-113); \$3,200,000 from the Corporation's unobligated balance and \$750,000 from non-federal revenues. FY 2016 funding includes year eight of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled \$28,917,925 for FY 2016. The Corporation's unobligated balance at September 30, 2016 totaled \$15.1 million including \$3.2 million unused borrowing authority. For FY 2017, the Corporation is currently operating on a Continuing Resolution based on the FY 2016 level of \$28,400,000. In addition, authority to obligate \$750,000 of non-federal revenues has been apportioned by OMB for FY 2017.

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.

RECLASSIFICATIONS

Certain reclassifications were made to the Corporation's 2015 financial statements to conform with the 2016 presentation.

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.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended September 30, 2016 and 2015

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, 2016 and 2015 are as follows:

	2016	2015
Due from concession contracts	\$ 34,682	\$ 39,368
Other	8,424	19,018
Interest on deposits in minority banks	5,601	4,223
	48,707	62,609
Prepaid contracts	15,415	17,920
Total	\$ 64,122	\$ 80,529

Note 5. Plant in Service

Plant in service as of September 30, 2016 and 2015 is as follows:

Plant in Service	Estimated Life (Years)	2016		2015	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Locks and guidewalls	40 - 100	\$121,500,369	\$ 52,747,181	\$ 116,247,338	\$ 51,105,553
Channels and canals	95	36,870,221	20,263,073	36,870,221	19,875,984
Buildings, grounds and utilities	50	24,067,599	10,138,068	23,923,874	9,818,928
Permanent operating equipment	5 - 40	21,215,350	11,747,810	20,701,515	11,066,219
Roads and bridges	50	13,913,141	10,573,431	13,211,373	10,304,525
Land rights & relocations	95	5,639,064	3,123,210	5,639,064	3,064,007
Navigation aids	10 - 40	3,223,183	2,804,055	3,154,779	2,776,641
Lands in fee	N/A	867,326	—	867,326	—
Total plant in service		\$227,296,253	\$111,396,828	\$ 220,615,490	\$ 108,011,857

The U.S. portion of the St. Lawrence Seaway was built in the late 1950s. The Corporation launched, as part of its FY 2009 budget request to Congress, an Asset Renewal Program (ARP) 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, 2016, excluding personnel compensation, amounted to \$119,503,980.

Plant in Service includes costs of certain features of the South Channel Span of the Seaway International Bridge, 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.

Included in Plant in Service at September 30, 2016 is the cost of a new financial management system implemented by the Corporation during FY 2015. The total cost of the system is \$1,709,930 and is being amortized over 7 years. Total amortization for the years ended September 30, 2016 and 2015 amounted to \$305,345 and \$61,069, respectively.

Note 6. Due from the Seaway International Bridge Corporation, Ltd. (SIBC)

The Corporation owns, on behalf of the U.S. Government, 68 percent of the South Channel Span of the Seaway International Bridge operated by the SIBC, a wholly owned subsidiary of The Federal Bridge Corporation Ltd., a federal Crown Corporation of Canada. To maintain oversight of the SIBC, the Corporation designates four senior Corporation officials to serve on the eight member SIBC Board of Directors. The net annual income from the SIBC, after all operating expenses, is divided equally between the Corporation and The Federal Bridge Corporation Ltd. The Corporation's portion, if any, is held by the SIBC solely to fund structural repair or project costs to the South Channel Span as provided in the Corporation's enabling act (33 U.S.C. 984(a)(12)). Accordingly, SIBC holds, on behalf of the Corporation, cash which is restricted in use for expenditures specifically for the South Channel Span, as follows for the years ended September 30:

	2016	2015
Beginning Balance	\$ 2,905,804	\$ 3,198,517
Interest Earned	33,024	42,524
Allocation of Annual Surplus	131,497	225,108
Bridge Repairs	(245,093)	(5,981)
Foreign Currency Exchange	60,509	(554,364)
Ending Balance	<u>\$ 2,885,741</u>	<u>\$ 2,905,804</u>
Amount restricted for future South Channel Span repairs	<u>\$ 2,885,741</u>	<u>\$ 2,905,804</u>

During 2016, the Corporation elected to disclose broad, the asset, due from SIBC and a liability, Reserve for future bridge repairs SIBC in the accompanying Statements of Financial Position which net to \$0 and have not historically been shown broad.

The 2015 Statement of Financial Position has been reclassified to conform with the 2016 presentation.

Note 7. Other Revenues

Other revenues for the years ended September 30, 2016 and 2015 consist of the following:

	2016	2015
Concession operations	\$ 388,113	\$ 419,074
Pleasure craft/non-commercial tolls	79,109	70,689
Miscellaneous	67,913	65,921
Rental of administration building	46,951	46,607
Rebates	17,963	17,565
Payments for damages to locks, net	2,517	—
Gain on property disposals	—	17,195
Total	\$ 602,566	\$ 637,051

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

Note 8. Operating Expenses by Object Class

Operating expenses by object class for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Personnel services and benefits	\$ 13,883,041	\$ 13,418,382
Contractual services	2,401,235	2,322,871
Supplies and materials	1,138,316	1,235,243
Rental, communications and utilities	156,945	177,603
Travel and transportation	240,695	245,081
Equipment not capitalized	69,354	171,567
Printing and reproduction	14,478	15,632
Loss on property disposals	30,947	1,050
Subtotal	17,935,011	17,587,429
Depreciation expense	3,785,808	3,487,588
Imputed expenses	843,365	838,570
Total operating expenses	\$ 22,564,184	\$ 21,913,587

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, 2016 and 2015 as follows:

	2016	2015
Federal Employees Retirement System:		
Automatic contributions	\$ 1,241,706	\$ 1,187,261
Matching contributions	315,121	306,721
Social Security	572,188	570,942
Civil Service Retirement System	64,464	68,365
Total	<u>\$ 2,193,479</u>	<u>\$ 2,133,289</u>

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, 2016 and 2015 were \$843,365 and \$838,570, 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, 2016 and 2015, revenue totaled \$42,264 and \$41,934 for space provided to the U.S. Coast Guard.

The Corporation leases office space in Washington, D.C. under the terms of an Intra-agency Agreement (IAA) with the Federal Aviation Administration. Costs for the years ended September 30, 2016 and 2015 of \$373,983 and \$358,767, respectively, are included in the reimbursable agreements listed below.

The Corporation has entered into reimbursable agreements with certain federal agencies to provide services and equipment to the Corporation. Reimbursable agreements with federal agencies for FY 2016 and FY 2015 were as follows:

	2016	2015
Federal Aviation Administration	\$ 387,324	\$ 390,555
Federal Highway Administration	58,298	54,848
Department of Interior	25,260	1,886,422
Department of Commerce	9,197	8,741
General Services Administration	6,895	6,222
Office of Personnel Management	900	1,378
Federal Occupational Health	261	261
Office of the Secretary of Transportation	—	717
Total	\$ 488,135	\$ 2,349,144

Accounts payable and accrued payroll benefits at September 30, 2016 and 2015 include \$1,473,489 and \$1,483,296 respectively, of amounts payable to the U.S. Government.

In fiscal years 2016 and 2015, the Corporation accrued costs of \$106,068 and \$112,326, 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, 2016, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2016 and 2015 there were undelivered orders and contracts amounting to \$16,161,924 and \$17,136,617, respectively.

The Corporation leases office space in Washington, D.C. under the terms of an IAA with the Federal Aviation Administration which is subject to annual funding obligations.

The Corporation also provides office space to several agencies under various lease agreements. The lease agreements are cancelable.

Note 12. Statement of Budgetary Resources and Actual Expenses

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

Budget resources of \$44,064,049 consist of the Corporation's unobligated balance of \$14,465,998 brought forward October 1, 2015, and reimbursements earned of \$29,091,053, and recoveries of prior year's obligations of \$506,998.

Other Matters Finding 2016-01:

FINDING:

The Corporation is aware that an asset and related liability exists for the activity of the operating agreement with the SIBC for the South Channel Span. However, as management determined that the activity had no overall impact to the Corporation's financial statements, monitoring of this activity only occurred on an annual basis.

RECOMMENDATION:

Although the activity of SIBC has no financial impact on the Corporation, the Corporation should consider implementing additional procedures to monitor the activity of the funds held at SIBC on their behalf for future bridge repair and operations, throughout the fiscal year. Procedures should also be implemented to record the activity within the financial records of the Corporation on a more frequent basis.

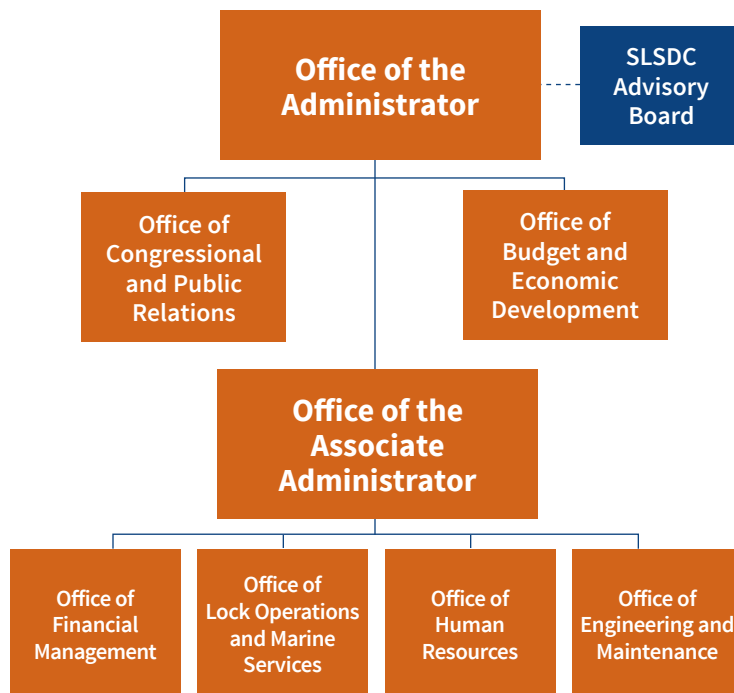
QUESTIONED COSTS:

None

CORPORATION RESPONSE:

SLSDC management concurs with the finding and recommendation and will implement new procedures in the first quarter of fiscal year 2017.

Saint Lawrence Seaway Development Corporation Organization Chart



Contacts

Washington, D.C. Office

Administrator	(202) 366-0091
Deputy Administrator	(202) 366-0105
Chief of Staff	(202) 366-0107
Congressional and Public Relations	(202) 366-6114
Budget and Economic Development	(202) 366-8982

Great Lakes Regional Office (Cleveland, Ohio) (216) 379-9106

Massena, N.Y. Office

Associate Administrator and Resident Manager	(315) 764-3251
Chief Counsel	(315) 764-3231
Chief Financial Officer	(315) 764-3275
Human Resources	(315) 764-3279
Engineering and Maintenance	(315) 764-3254
Lock Operations and Marine Services	(315) 764-3294
Lock Operations (after hours)	(315) 764-3292

Facsimile Numbers

Washington, D.C. Office	(202) 366-7147
Administration Building (Massena, N.Y.)	(315) 764-3235
Maintenance Building (Massena, N.Y.)	(315) 764-3258
Eisenhower Lock (Massena, N.Y.)	(315) 674-3250

Advisory Board

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

There are currently four active members sitting on the SLSDC's Advisory Board:

David J. McMillan, Chairman
Senior Vice President, Marketing, Regulatory and Public Affairs, ALLETE, Inc. – Duluth, Minn.

William J. Mielke
Chairman of the Board, President, and CEO, Ruekert/Mielke Waukesha, Wis.

Wenona T. Singel
Assistant Professor of Law, Michigan State University College of Law East Lansing, Mich.

Arthur H. Sulzer Ed. D.
*Captain USN-Ret.
Arthur H. Sulzer Associates, Inc.
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U.S. Department of Transportation
Saint Lawrence Seaway Development Corporation



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