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REPORT TO THE CONGRESS

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Audit Of Financial Statements
Of Saint Lawrence Seaway
Development Corporation
Calendar Year 1970 B-125007

Department of Transportation

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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UNCLASSIFIED



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

B-125007

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

The accompanying report presents the opinion of the General Accounting Office on the financial statements of the Saint Lawrence Seaway Development Corporation for the year ended December 31, 1970.

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

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Transportation; and the Administrator, Saint Lawrence Seaway Development Corporation.

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

Comptroller General
of the United States

D I G E S T

WHY THE AUDIT WAS MADE

By law, the Comptroller General is required to make an annual audit of the Saint Lawrence Seaway Development Corporation and to report directly to the Congress.

FINDINGS AND CONCLUSIONS

In the opinion of the General Accounting Office, the financial statements of the Saint Lawrence Seaway Development Corporation present fairly the financial position of the Corporation at December 31, 1970, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. (See p. 8.)

For calendar year 1970 the Corporation reported a gain of about \$2.8 million compared with a loss of about \$7.5 million in 1969. The current year's reported gain resulted primarily from the U.S. Government's forgiving on October 21, 1970, all interest amounts due but unpaid on October 21, 1970, on Corporation bonds held by the Secretary of the Treasury and declaring the Corporation bonds non-interest-bearing as of October 21, 1970.

Of the \$25.7 million in unpaid interest forgiven as of October 21, 1970, \$5.1 million represented interest applicable to that part of the current year from January 1, 1970, to the date of forgiveness and \$20.6 million represented deferred interest applicable to prior years. Current-year interest that would have accrued from the date of forgiveness to December 31, 1970, totaled \$1.2 million. (See p. 4.)

The Corporation's indebtedness to the U.S. Government decreased from \$155.9 million in 1969 to \$131.5 million in 1970. The \$24.4 million decrease resulted from forgiveness by the U.S. Government of \$20.6 million of deferred interest, payment by the Corporation of \$1.8 million of deferred interest, and redemption by the Corporation of \$2 million worth of revenue bonds. (See p. 4.)

At the close of the 1964 navigation season, the Corporation found evidence of deep-seated concrete deterioration in the lock system. In 1967 a 5-year lock rehabilitation program was initiated at an estimated cost of \$13.1 million. At the end of 1970, costs of the program were about

NOV 13, 1971

\$8.9 million. Because the most critical lock repair work had been completed, the 1970 charges were about \$160,000--a decrease of about \$3.3 million from the 1969 charges. (See p. 6.)

In 1970 the Congress authorized the Corps of Engineers to determine means of extending the navigation season of the Great Lakes and the Seaway and, in cooperation with the Corporation and other interests, to demonstrate the practicability of extending the season. (See p. 7.)

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations or suggestions requiring action by the Congress.

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At the close of the 1964 navigation season, the Corporation found evidence of deep-seated concrete deterioration in the lock system. In 1967 a 5-year lock rehabilitation program was initiated at an estimated cost of \$13.1 million. At the end of 1970, costs of the program were about

\$8.9 million. Because the most critical lock repair work had been completed, the 1970 charges were about \$160,000--a decrease of about \$3.3 million from the 1969 charges. (See p. 6.)

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RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations or suggestions requiring action by the Congress.

INTRODUCTION

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

The Seaway system is a joint venture between Canada and the United States to provide deep-water navigation in the Saint Lawrence River from Montreal, Canada, to Lake Ontario by a series of locks and channels. The system consists of seven locks in Canadian and international waters. The four locks in Canadian waters and one of the locks in international waters are operated and maintained by the Saint Lawrence Seaway Authority of Canada. The remaining two locks, known as the Dwight D. Eisenhower and the Bertrand H. Snell locks, are operated and maintained by the Corporation.

On January 29, 1959, the Corporation and the authority entered into an agreement that toll revenues would be divided 29 percent to the Corporation and 71 percent to the authority--the ratio of gross revenue which the two Seaway entities anticipated they would require to pay for operation and maintenance expenses, interest on borrowings, and amortization of investment. In March 1967 the Department of State announced an agreement with the Government of Canada which provided for a change in the distribution of revenues to 27 percent to the Corporation and 73 percent to the authority and for no increase in tolls for 4 years.

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

COMMENTS ON SELECTED ACTIVITIES

For calendar year 1970 the Corporation reported a gain of about \$2.8 million compared with a loss of about \$7.5 million in 1969. The gain resulted primarily from the U.S. Government's forgiving on October 21, 1970, all interest amounts due but unpaid on October 21, 1970, on Corporation bonds held by the Secretary of the Treasury and declaring the Corporation bonds non-interest-bearing as of October 21, 1970. Of the \$25.7 million in unpaid interest forgiven as of October 21, 1970, \$5.1 million represented interest applicable to that part of the current year from January 1, 1970, to the date of forgiveness, and \$20.6 million represented deferred interest applicable to prior years. Current-year interest that would have accrued from the date of forgiveness to December 31, 1970, totaled \$1.2 million. Other major factors which contributed to the reported 1970 gain included an increase of \$1.1 million in toll revenues and a \$3.3 million decrease in lock rehabilitation charges.

INDEBTEDNESS TO THE U.S. GOVERNMENT

The Corporation's indebtedness to the U.S. Government decreased from \$155.9 million in 1969 to \$131.5 million in 1970. The \$24.4 million decrease resulted from forgiveness by the U.S. Government of \$20.6 million of deferred interest, payment by the Corporation of \$1.8 million of deferred interest, and redemption by the Corporation of \$2 million worth of revenue bonds.

The act of May 13, 1954, as amended provided that the Seaway be financed through the issuance to the Secretary of the Treasury of interest-bearing bonds payable from Corporation revenues. The act provided also that interest payments on such bonds could be deferred but that deferred-interest payments would bear interest after June 30, 1960.

In 1958 the Seaway tolls committee estimated that, at the end of 1969, the Corporation would have paid from revenues all current interest charges and would have reduced its debt to about \$127.9 million. Revenues, however, proved inadequate to meet interest on the debt, and, as of December 31, 1969, the debt of the Corporation was \$155.9 million--\$133.5 million in revenue bonds and \$22.4 million in deferred

interest. In 1970 the Secretary of Transportation proposed legislation to the Congress to cancel the payment of all interest on the Corporation's bonds. This action was favored by the Secretary over the alternative of instituting Seaway toll increases which, he believed, would discourage Seaway use.

Section 43 of the Merchant Marine Act of 1970 (84 Stat. 1038) amended the act of May 13, 1954, to provide that, as of October 21, 1970, the Corporation's bonds held by the Secretary of the Treasury bear no interest; the unpaid interest which had accrued on the bonds was terminated. Section 43 provided also that the interest incurred by the Secretary of the Treasury in financing the Corporation, although not required to be paid by the Corporation, be considered as a Corporation expense in establishing the percentages for the division of revenues with Canada.

The accrued unpaid interest of \$25.7 million forgiven as of October 21, 1970, comprised unpaid interest of \$6.7 million capitalized prior to the opening of the Seaway on April 25, 1959, and recorded as a plant, property, and equipment cost; unpaid interest of \$13.9 million accrued from the start of operations through December 31, 1969; and unpaid interest of \$5.1 million applicable to the period January 1 to October 21, 1970--the date of interest forgiveness. Current-year interest that would have accrued from the date of forgiveness to December 31, 1970, totaled \$1.2 million.

The Corporation adjusted its financial records to account for the interest forgiveness by (1) writing off its deferred-interest accounts applicable to the construction period (\$6.7 million) and the operating period (\$13.9 million), (2) reducing the recorded cost of its plant, property, and equipment by the \$6.7 million of interest capitalized during the construction period, (3) reducing its deficit and depreciation accounts by about \$765,000 for the total depreciation charges applicable to the capitalized interest, and (4) reducing its deficit by \$13.9 million for the deferred interest applicable to the operating period. The transactions are reflected in schedules 3 and 5 of the Corporation's financial statements.

EXTRAORDINARY REPAIRS TO LOCK SYSTEM

At the close of the 1964 navigation season, the Corporation found evidence of deep-seated concrete deterioration in the lock system. The Corporation and the Corps of Engineers have concluded that the deterioration was primarily the result of frost damage; however, studies to determine the reasons for the inadequate performance of the concrete are being conducted by the Corps of Engineers. These studies consist primarily of pouring test blocks of different concrete mixtures and subjecting them to water pressures and freeze-to-thaw conditions experienced by the locks in 1964.

In 1967 the Corporation initiated a 5-year rehabilitation program for the Eisenhower and Snell locks. The Corporation estimated that the total cost of the rehabilitation program would amount to about \$13.1 million.

As of December 31, 1970, costs under the rehabilitation program amounted to about \$8.9 million, of which the Corporation charged about \$160,000 to operations in 1970 compared with a charge of about \$3.5 million in 1969. The decrease of \$3.3 million was a result of the Corporation's completion of the most critical lock repair work. During the period 1971-73, annual lock rehabilitation charges are expected to average about \$150,000 for remaining minor repair work and for routine maintenance to the locks. During the 1973-74 winter season, the Corporation plans to cover and dewater the Eisenhower lock for a thorough inspection and to make any necessary repairs. This work is expected to cost about \$400,000. Similar work is planned for the Snell lock during the 1975-76 winter season at a cost of about \$300,000.

TRAFFIC

Seaway tolls increased from \$5.8 million in 1969 to \$6.9 million in 1970. The \$1.1 million increase was attributable to a 25-percent increase over 1969 traffic. The cargo transits for the Seaway between Montreal and Lake Ontario in 1970 amounted to a record 51.1 million tons compared with only 41 million tons handled in 1969 when iron ore shipments were reduced because of a prolonged strike at the Quebec-Labrador mines. The previous record was 49.2 million tons in 1966.

Bulk cargoes accounted for about 45 million tons and general cargoes for about 6 million tons. Iron ore shipments--15.1 million tons--continued to dominate traffic; wheat shipments--8.2 million tons--were second, followed by iron and steel shipments--4 million tons.

NAVIGATION SEASON EXTENSION

The Rivers and Harbors, Flood Control Acts of 1970, approved December 31, 1970 (Pub. L. 91-611), authorized the Corps of Engineers to determine the means of extending the navigation season of the Great Lakes and the Seaway and authorized \$6.5 million to be appropriated to the Corps to demonstrate the practicability of an extension. The act also provided for the Corps to conduct the demonstration program in cooperation with the Departments of Transportation, the Interior, and Commerce--including specifically the Coast Guard, the Saint Lawrence Seaway Development Corporation, the Maritime Administration, and the Environmental Protection Agency--and other public or private interests. The act provided also for the Secretary of Commerce to study the possibility of providing reasonable insurance rates for shippers and vessels using the Great Lakes and Seaway beyond the current navigation season, which is about 250 days.

The Secretary of Transportation announced that the initial goal of the program was to explore the possibility of extending the navigation season by at least 1 month. This effort should show the problems involved in establishing the Great Lakes and the Seaway as a year-round navigation route and should provide some solutions.

SCOPE OF EXAMINATION

Our examination of the Corporation's statement of financial condition as of December 31, 1970, and the related statements of revenues and expenses and of source and application of funds for the year then ended, was made in accordance with generally accepted auditing standards and included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was conducted at the Corporation's office in Massena, New York.

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

OPINION ON THE FINANCIAL STATEMENTS

The financial statements and the notes to the financial statements in this report are the same as those prepared by the Corporation for inclusion in its annual report for the calendar year 1970. Our opinion, as far as it relates to Seaway toll revenues, is based on the examination and the report of the Auditor General of Canada.

Pursuant to law, as of October 21, 1970, unpaid interest in the amount of \$25.7 million on the Corporation's bonds held by the Secretary of the Treasury was forgiven and the Corporation's bonds became non-interest-bearing. Of the \$25.7 million in unpaid interest forgiven, \$5.1 million was applicable to that part of the current year from January 1, 1970, to the date of forgiveness and \$20.6 million was applicable to prior years. Current-year interest that would have accrued from the date of forgiveness to December 31, 1970, totaled \$1.2 million. This matter is discussed more fully beginning on page 4.

In our opinion, the accompanying financial statements (schs.1 through 8) present fairly the financial position of the Corporation at December 31, 1970, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

FINANCIAL STATEMENTS

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 1970 AND 1969

A S S E T S

	<u>1970</u>	<u>1969</u>
PLANT, PROPERTY, AND EQUIPMENT:		
Plant in service, at cost (sch. 5 and note 1)	\$124,555,098	\$131,247,006
Less accumulated depreciation (note 2)	<u>16,081,235</u>	<u>15,308,740</u>
Net plant in service	108,473,863	115,938,266
Work in progress	<u>12,885</u>	<u>11,796</u>
Total plant, property, and equipment	<u>108,486,748</u>	<u>115,950,062</u>
INVESTMENT IN AND LOANS TO SEAWAY INTERNATIONAL BRIDGE COMPANY:		
Promissory notes	-	15,810
Debenture bonds--due December 31, 2012	<u>7,440</u>	<u>7,440</u>
Total investment in and loans to Seaway International Bridge Company	<u>7,440</u>	<u>23,250</u>
CURRENT ASSETS:		
Cash (note 3)	1,907,323	271,507
U.S. securities (par) (note 3)	-	1,131,445
Tolls and other receivables (net) (note 4)	131,629	124,942
Inventories, at cost	<u>159,383</u>	<u>155,416</u>
Total current assets	<u>2,198,335</u>	<u>1,683,310</u>
Total assets	<u>\$110,692,523</u>	<u>\$117,656,622</u>

The notes on pages 19 and 20 are an integral part of this statement.

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

	<u>1970</u>	<u>1969</u>
INVESTMENT OF THE U.S. GOVERNMENT:		
Revenue bonds outstanding (note 6) (authorized \$140,000,000, unis- sued \$6,200,000)	\$131,476,050	\$133,476,050
Deferred interest during construc- tion (note 6)	-	6,706,437
Deferred interest during operations (note 6)	<u>-</u>	<u>15,723,061</u>
Total bond and interest debt	131,476,050	155,905,548
Deficit (note 5 and note 6)	<u>-21,149,837</u>	<u>-38,596,555</u>
Net investment of U.S. Govern- ment	<u>110,326,213</u>	<u>117,308,993</u>
CURRENT LIABILITIES:		
Accounts payable	67,186	53,536
Accrued liabilities and deferred income	<u>299,124</u>	<u>294,093</u>
Total current liabilities (note 7)	<u>366,310</u>	<u>347,629</u>
Total investment and liabili- ties	<u>\$110,692,523</u>	<u>\$117,656,622</u>

SCHEDULE 2

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

FOR THE CALENDAR YEARS 1970 AND 1969

	<u>1970</u>	<u>1969</u>
REVENUES:		
Seaway tolls	\$6,884,445	\$5,839,473
Other	<u>113,564</u>	<u>74,502</u>
Total revenues	<u>\$6,998,009</u>	<u>\$5,913,975</u>
EXPENSES:		
Operation and maintenance (sch. 6)	\$1,827,712	\$1,716,484
General administration (sch. 7)	628,928	529,437
Interest on investment of U.S. Government (note 6)	-	5,927,550
Depreciation (note 2)	<u>1,622,710</u>	<u>1,704,515</u>
Total expenses	<u>4,079,350</u>	<u>9,877,986</u>
Net gain or loss(-) for the year before lock rehabil- itation charges	2,918,659	-3,964,011
Lock rehabilitation charges (sch. 8 and note 5)	<u>-160,377</u>	<u>-3,486,146</u>
Net gain or loss(-)	<u>\$2,758,282</u>	<u>-\$7,450,157</u>

The notes on pages 19 and 20 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF DEFICIT

AS OF DECEMBER 31, 1970 AND 1969

	<u>1970</u>	<u>1969</u>
DEFICIT AT BEGINNING OF YEAR	\$38,596,555	\$31,146,398
GAIN (*) OR LOSS FOR THE YEAR	2,918,659*	3,964,011
DEFERRED INTEREST DURING OPERATIONS:		
Unpaid as of 12-31-69	\$15,723,061	
Payments during year	<u>-1,800,000</u>	
Terminated accrued and unpaid operating interest (note 6)	13,923,061*	
ADJUSTMENT OF PRIOR YEAR'S DEPRECIATION (note 1)	765,375*	
LOCK REHABILITATION CHARGES FOR THE YEAR	<u>160,377</u>	<u>3,486,146</u>
TOTAL DEFICIT AT END OF YEAR	<u>\$21,149,837</u>	<u>\$38,596,555</u>

The notes on pages 19 and 20 are an integral part of this statement.

*Deduction.

SCHEDULE 4

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR CALENDAR YEAR 1970

SOURCE:

Revenues:

Seaway tolls	\$6,884,445
Other	113,564
Proceeds from property disposals	<u>3,113</u>
	<u>\$7,001,122</u>

APPLICATION:

Acquisition of assets	\$ 87,761
Operating expenses	2,456,640
Rehabilitation of locks	160,377
Payments to U.S. Treasury:	
Deferred interest	1,800,000
Principal	2,000,000
Increase in working capital	<u>496,344</u>
	<u>\$7,001,122</u>

The notes on pages 19 and 20 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARATIVE STATEMENT OF PLANT, PROPERTY, AND EQUIPMENT

AS OF DECEMBER 31, 1970 AND 1969

<u>Plant in service</u>	<u>1970</u>		<u>1969</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land in fee	\$ 911,026	\$ -	\$ 962,843	\$ -
Land rights and re-locations	5,637,979	414,400	5,956,284	375,254
Locks	63,856,676	8,565,139	67,334,358	8,238,636
Roads and bridges	8,631,552	2,004,659	9,119,157	1,936,862
Channels and canals	35,982,561	2,644,740	38,016,187	2,395,042
Public use facilities	541,424	114,975	570,355	110,367
Navigation aids	1,298,138	168,915	1,409,582	222,851
Buildings, grounds, and utilities	4,024,105	894,120	4,233,161	860,848
Permanent operating equipment	<u>3,671,637</u>	<u>1,274,287</u>	<u>3,645,079</u>	<u>1,168,880</u>
Total	<u>\$124,555,098</u>	<u>\$16,081,235</u>	<u>\$131,247,006</u>	<u>\$15,308,740</u>

The notes on pages 19 and 20 are an integral part of this statement.

SCHEDULE 6

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF OPERATION AND MAINTENANCE EXPENSES

FOR THE CALENDAR YEARS 1970 AND 1969

<u>Type of expenses</u>	<u>1970</u>	<u>1969</u>
Supervision, operational, planning and development, and general operating expense	\$ 589,256	\$ 378,630
Operation of locks and canals and traffic control	565,574	533,488
Maintenance of navigation aids	52,013	63,482
Maintenance of plant and equipment	<u>620,869</u>	<u>740,884</u>
Total	<u>\$1,827,712</u>	<u>\$1,716,484</u>

The notes on pages 19 and 20 are an integral part of this statement.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

COMPARISON OF ADMINISTRATIVE EXPENSES
 FOR THE CALENDAR YEARS 1970 AND 1969

<u>Type of expense</u>	<u>1970</u>	<u>1969</u>
Personnel compensation	\$456,829	\$348,970
Personnel benefits	24,118	24,068
Benefits paid to former personnel	-	4,386
Travel and transportation	29,157	26,971
Rents, communications, and utilities	23,217	25,173
Printing and reproduction	57,298	21,775
Other services	22,678	69,468
Supplies and materials	<u>15,631</u>	<u>8,626</u>
Total	<u>\$628,928</u>	<u>\$529,437</u>

The notes on pages 19 and 20 are an integral part of this statement.

SCHEDULE 8

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

SUMMARY OF LOCK REHABILITATION COSTS

AS OF DECEMBER 31, 1970

	<u>Cost for</u>		<u>Total cost to date</u>
	<u>Calendar year 1969</u>	<u>Calendar year 1970</u>	
Dwight D. Eisenhower lock:			
Highway tunnel modification	\$ -	\$ -	\$ 592,422
Intake manifold repair	-	-	1,072,487
Chamber face repair, monolith N-54	-	-	221,393
Culvert crack repair	-	-	1,652,036
Installation and removal of lock cover	213,211	-	759,366
Lock chamber face, culvert wall chamber side and ports repair	1,298,809	-	1,344,962
Culvert wall, landside repair	63,968	-	70,573
Floor and ceiling repair	159,791	-	159,791
Post tensioning-downstream gate monolith and modification studies	41,979	159,258	201,238
Engineering and design	9,216	-	149,761
Supervision, inspection, and administration	<u>106,865</u>	<u>-</u>	<u>466,218</u>
Total, Dwight D. Eisenhower lock	<u>1,893,839</u>	<u>159,258</u>	<u>6,690,247</u>
Bertrand H. Snell lock:			
Installation and removal of lock cover	155,309	-	398,346
Culvert crack repair	1,218,596	-	1,431,034
Lower sill repair	2,641	-	2,641
Engineering and design	8,920	676	49,716
Supervision, inspection, and administration	<u>127,758</u>	<u>-</u>	<u>147,834</u>
Total, Bertrand H. Snell lock	<u>1,513,224</u>	<u>676</u>	<u>2,029,571</u>
Other:			
Core drilling, photography, instrumenta- tion studies, construction, facilities, and other related costs	<u>79,083</u>	<u>443</u>	<u>166,336</u>
Total, lock rehabilitation cost	<u>\$3,486,146</u>	<u>\$160,377</u>	8,886,154
Estimated balance of work remaining			<u>4,218,846</u>
Total estimated cost of lock rehabili- tation work as shown in fiscal year 1972 budget			<u>\$13,105,000</u>

The notes on pages 19 and 20 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. Plant, property, and equipment are stated at cost of acquisition or construction. Indirect costs incurred prior to the opening of the Seaway on April 25, 1959, have been allocated to the related permanent features of the Seaway. In accordance with Public Law 91-469, dated October 21, 1970, the plant in service reflects a reduction of \$6.7 million in capitalized interest previously allocated to the related permanent features of the Seaway. Prior year's depreciation charges have been adjusted to recognize the reduced cost of plant in service.
2. The straight-line method of depreciation is used and is computed on balances in plant in service. Accumulated reserves are accounted for on a composite basis by groups of assets. The cost of plant retired, including the cost of removal, less salvage, is charged against the reserves. Neither depreciation nor amortization allowances have been provided for lands in fee.
3. To preserve the Corporation's borrowing authority to meet emergency cash requirements in the future, revenues have been retained to provide working capital during the winter nonnavigation season. These revenues are deposited in the Corporation's account with the U.S. Treasury. Revenues invested during 1969 in U.S. Treasury bills have been redeemed.
4. Included in tolls and other receivables at December 31, 1970, is \$29,897 incurred in 1959, due the Corporation from a bankrupt debtor. Agreements provide for ship-owners to pay this amount on a pay-as-you-go basis. Collection of this account is being handled for the Corporation by the Saint Lawrence Seaway Authority of Canada in accordance with the 1959 Memorandum of Agreement respecting the tariff of tolls. Due to the age of this receivable, a provision for doubtful accounts has been established for the full amount.
5. During calendar year 1967, the Corporation undertook an emergency rehabilitation program to repair deterioration which had occurred in the lock structures and in the vehicular tunnel. These costs, although of an

extraordinary nature, are properly considered as a maintenance expense and are written off to the deficit. This extraordinary expense is shown separately on the statement of revenues and expenses following the line item of annual net gain or loss.

6. In accordance with Public Law 91-469, dated October 21, 1970, the accrual and payment of interest on the debt principal of the Corporation was terminated. Accordingly, this eliminated deferred interest totaling \$22.4 million (\$6.7 million accrued during construction and \$15.7 million accrued during operations) as of December 31, 1969, less payments of \$1.8 million made to the U.S. Treasury during calendar year 1970 as well as \$5.1 million current year's interest as of October 21, 1970. As a result of the enactment of this public law, the Corporation redeemed \$2 million in revenue bonds outstanding during calendar year 1970.
7. Not included in the current liabilities at December 31, 1970, are undelivered orders and contracts amounting to \$100,461.62. At this date, there are no outstanding claims pending against the Corporation.

APPENDIXES

PRINCIPAL MANAGEMENT OFFICIALS OF THE
DEPARTMENT OF TRANSPORTATION AND
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
CALENDAR YEAR 1970

Effective date
of appointment

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION:

John A. Volpe

Jan. 1969

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

ADMINISTRATOR:

David W. Oberlin

Aug. 1969

ASSISTANT ADMINISTRATOR:

Brendon T. Jose

June 1964

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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