U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

Independent Auditors' Report on the Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2018 and 2017

SLSDC

Report No. FI2019008

November 13, 2018

Independent Auditors' Report on the Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2018 and 2017

Required by Government Corporation Control Act of 1945

Saint Lawrence Seaway Development Corporation | FI2019008 | November 13, 2018

What We Looked At

In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of the Saint Lawrence Seaway Development Corporation (SLSDC), a U.S. Government Corporation, as of and for the years ended September 30, 2018, and September 30, 2017.

What We Found

In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2018, and September 30, 2017, and its statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles. We found no material weaknesses in internal control over financial reporting based on the limited procedures we performed. However, we did identify a significant deficiency. In addition, we found no reportable noncompliance for fiscal year 2018, with provisions of applicable laws, regulations, and contracts we tested.

Recommendations

We made three recommendations to help SLSDC strengthen its controls over property, plant, and equipment reporting.

Contents

Memorandum

Date: November 13, 2018

Subject: ACTION: Independent Auditors' Report on the Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2018 and 2017 | Report No. FI2019008

From: Louis C. King
Assistant Inspector General for Financial and Information Technology Audits

To: Saint Lawrence Seaway Development Corporation Administrator

In our audit of the fiscal years 2018 and 2017 financial statements of the Saint Lawrence Seaway Development Corporation (SLSDC), a U.S. Government Corporation, we found

- that SLSDC's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles,
- no material weaknesses[1] in internal control over financial reporting based on the limited procedures we performed, but we did find a significant deficiency,[2] and
- no reportable noncompliance for fiscal year 2018, with provisions of applicable laws, regulations, and contracts we tested.

[1] A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.
[2] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following sections discuss in more detail (1) our report on the financial statements, which includes an emphasis-of-matters paragraph related to presentation adjustments, other information[3] included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, and contracts; and (4) agency comments (see appendix for the Agency's full agency response).

We appreciate the cooperation and assistance of SLSDC's representatives. If you have any questions, please contact me at (202) 366-1407, or George Banks, Program Director, at (202) 420-1116.

cc: The Secretary
DOT Audit Liaison, M-1
SLSDC Audit Liaison

[3] The other information consists of SLSDC's Management Discussion and Analysis which is included in the Agency's Annual Financial Report (attachment 3).

Report on Financial Statements

In accordance with the Government Corporation Control Act of 1945,[4] we have audited SLSDC's financial statements. SLSDC's financial statements comprise the statements of financial position as of September 30, 2018, and September 30, 2017; the related statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended; and the related notes to the financial statements.[5]

We conducted our audits in accordance with U.S. generally accepted Government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

SLSDC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements; and (3) maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted Government auditing standards and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements* (October 2018) require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to other information included with the financial statements.

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[4] 31 U.S.C. § 9101-9110.

[5] The financial statements are included in the Agency's Annual Financial Report (see attachment 3).

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2018, and September 30, 2017, and SLSDC's changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

The statements of financial position, cash flows, and budgetary resources and actual expenses were changed to correct a presentation discrepancy. The references to "inventories" in our fiscal year 2017 report[6] were changed in 2018 to "operating materials and supplies." This change affected several statements, line item titles, and Note 2. This change occurred because SLSDC does not hold Inventory for resale. In addition, the valuation methodology for operating materials and supplies discussed in Note 2 was revised from "lower of cost or market" to "cost or market." Note 2 was further expanded to provide additional detail about lock spare parts and their valuation basis. These revisions had no

[6] *Independent Auditor's Report on Audited Financial Statements for Fiscal Year 2017, Saint Lawrence Seaway Development Corporation* (OIG Report No. FI2018003) November 8, 2017.

monetary impact to financial statements. Our opinion on SLSDC's financial statements is not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. Management's Discussion and Analysis and Other Information are presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting

In connection with our audits of SLSDC's financial statements, we considered SLSDC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to SLSDC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

SLSDC's management is responsible for maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

In planning and performing our audit of SLSDC's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted Government auditing standards, we considered SLSDC's internal control over financial reporting as a basis for designing 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 SLSDC's internal control over financial reporting. Accordingly, we do not express an opinion on SLSDC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, as broadly established under the Federal Managers' Financial Integrity Act of 1982 (FMFIA)[7] such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of SLSDC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. In addition, we identified several deficiencies that when combined constitute a significant deficiency.

[7] Pub. Law No. 97-255. SLSDC is required to provide an FMFIA assurance statement on its internal accounting and administrative control systems (see attachment 2).

Significant Deficiency

Controls Over Property, Plant, and Equipment

Background

Each property custodian is responsible to maintain current custodial records for all accountable equipment within an assigned custodial area, and to ensure that all movement of accountable equipment into or out of the custodial area is documented. Per SLSDC's Supply Division Policies and Procedures Manual, disposal of accountable fixed assets property shall be documented on a Certificate of Disposal form containing the asset identification number, description, quantity, acquisition cost, and a justification. The form shall be completed by the supply technician within three days of the turn-in. SLSDC's supply policy further requires that each property, plant, and equipment (PP&E) asset be depreciated on a straight line basis using the cost of the asset, the asset's service date, and SLSDC's defined useful life for the asset class. In July 2015, SLSDC converted from its old FoxPro accounting system to an Oracle Federal Financial Management based system, supported through the U.S. Department of the Interior. This conversion required extensive manual data entry to transition the existing assets into the new accounting record.

Condition

We statistically sampled 67 PP&E assets out of a universe of 442 and attempted to physically locate and examine each asset. Out of the 67 assets sampled, we noted 4 exceptions—2 we could not locate, 1 was obsolete and out of service, and 1 did not meet the definition of an asset and should not have been capitalized as PP&E. We recalculated the net book value for the 67 assets selected and identified 2 with large variances between our recalculated net book values and the net book values recorded in SLSDC's accounting records. After researching the differences, SLSDC informed us that the accumulated depreciation amounts for the two assets were incorrectly calculated in SLSDC's old system. Furthermore, the discrepancies were not identified during the conversion process and were carried into the new accounting system. In addition, the useful life of one of the two assets was incorrectly loaded into the new system during conversion.

Criteria

The Government Accountability Office's *Standards for Internal Control in the Federal Government*,[8] Section 10.03, Design of Appropriate Type of Control

[8] GAO-14-704G, September 2014.

Activities, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

The Financial Accounting Standards Board (FASB) codification 360.10.35.3 states that depreciation expense in financial statements for an asset shall be determined based on the asset's useful life. FASB codification 360.10.35.4 states that generally accepted accounting principles require that this cost be spread over the expected useful life of the asset in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of this asset.

Cause

Property custodians did not follow the proper procedures for retiring and disposing of assets. In addition, controls were not (1) effective in identifying expendable construction in progress activity; (2) operating effectively in SLSDC's previous accounting system to ensure anomalies in reported net book values were identified and corrected; or (3) operating effectively during system conversion to identify exceptions in the old accounting records or to ensure data converted correctly.

Effect

The lack of effective controls related to the timely review of retired, disposed, and obsolete assets and review of depreciation calculations increases the risk of inaccurate property records and the likelihood that financial statements may be misstated. Based on existence testing, we estimate that PP&E net book value is overstated by $517,972 or 3 percent.[9] For the two assets with incorrect deprecation, one was overvalued by $25,846, and the second was undervalued by $247,222. SLSDC adjusted its records for the four known existence testing exceptions identified and the two assets with incorrect net book values.

Recommendations

We recommend that SLSDC management

1. Retrain responsible property custodians on the proper procedures for retiring and disposing of assets in a timely manner.

[9] Our estimate has a 100-percent lower confidence limit of $72,000 and a 90 percent upper confidence limit of $1.1 million.

2. Strengthen policies and controls to assess construction in progress projects to expense costs that are no longer capitalizable.

3. Perform a review of the net book values for recorded PP&E assets to ensure no other anomalies for converted assets or conversion errors occurred and make adjustments to correct asset values if needed.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of SLSDC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of SLSDC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted Government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, and Contracts

In connection with our audits of SLSDC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted Government auditing standards.

Management's Responsibility

SLSDC management is responsible for complying with laws, regulations, and contracts applicable to SLSDC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, and contracts applicable to SLSDC that have a direct effect on the determination of material amounts and disclosures in SLSDC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to SLSDC.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted Government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to SLSDC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted Government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

Agency Comments and OIG Response

We provided SLSDC with a draft of our report on November 7, 2018, and received SLSDC's response on November 8, 2018, which is included in the appendix to this report.

SLSDC concurred with the significant deficiency and our recommendations, and provided appropriate planned or completed actions and completion dates. SLSDC's response to our finding was not subject to the auditing procedures we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Action Required

We consider the recommendations resolved but open and will follow up on corrective actions during our fiscal year 2019 audit.

Exhibit A. List of Acronyms

DOT	U.S. Department of Transportation
FASB	Financial Accounting Standards Board
FMFIA	Federal Managers' Financial Integrity Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
PP&E	property, plant, and equipment
SLSDC	Saint Lawrence Seaway Development Corporation.

Exhibit B. Major Contributors to This Report

GEORGE **BANKS**	PROGRAM DIRECTOR
KEVIN **KELLY**	PROJECT MANAGER
STEPHEN **BERKERIDGE** CPA	SENIOR AUDITOR
ANGIE **MOULTRIE** CPA	SENIOR AUDITOR
ANH **PHAM** CPA	AUDITOR
AMY **BERKS**	SENIOR COUNSEL
PETRA **SWARTZLANDER**	SENIOR STATISTICIAN
MAKESI **ORMOND**	STATISTICIAN
SUSAN **NEILL**	WRITER-EDITOR

Appendix. Agency Response

U.S. Department
Of Transportation

Saint Lawrence Seaway Development Corporation

Memorandum

Subject: Management's Response to the OIG Audit Report on the SLSDC's Financial Statements for Fiscal Year 2018

Date: November 13, 2018

From: Craig H. Middlebrook
Deputy Administrator

To: Calvin L. Scovel III
Inspector General
U.S. Department of Transportation

This memorandum represents the Saint Lawrence Seaway Development Corporation's (SLSDC) official management response to the Office of Inspector General's (OIG) Independent Auditor's Report on Audited Financial Statements for Fiscal Year (FY) 2018, dated November 13, 2018.

We are pleased that the OIG audit team that performed the SLSDC FY 2018 financial audit provided an unmodified audit opinion – the SLSDC's 55th consecutive clean audit opinion dating back to its first financial audit in 1955.

We concur with the findings and the lone significant deficiency identified in the audit report related to controls over property, plant, and equipment (PP&E). I am pleased to report that SLSDC staff has addressed all three recommendations from the audit report and we look forward to the re-testing of those remediated processes and controls related to PP&E. Supporting documentation related to the SLSDC's remediation of these recommendations will be provided to the OIG financial audit team by December 31, 2018.

Please refer any questions to Nancy Scott, Director, Financial Management/CFO.

Attachment 1. Agency Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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 and private industry 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 an economic output of $6 trillion annually. Maritime commerce on the Great Lakes Seaway System annually sustains nearly 238,000 U.S. and Canadian jobs, $28 billion in transportation-related business revenue, $14 billion in personal income and local consumption expenditures, $8 billion in local purchases, and $7 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 in Massena, N.Y., including the two U.S. Seaway locks (Eisenhower and Snell). The SLSDC's policy headquarters is in Washington, D.C.

Mission Statement – The SLSDC operates and maintains the U.S. infrastructure and waters of the St. Lawrence Seaway, while performing trade development focused on driving economic activity for the Great Lakes St. Lawrence Seaway System. The Corporation's mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway, in cooperation with the Canadian SLSMC.

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

Core Organizational Values – **S**ervice // **L**eadership // **S**tewardship // **D**ependability // **C**ommitment

Financial Highlights for Fiscal Year 2018

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

Corporation Financing

Until 1987, the Corporation was a self-sustaining entity and financed its operations and 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 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. Although the U.S. portion of Seaway tolls was still collected, the Act required the U.S. Treasury to rebate the U.S. toll collections to users. Subsequent legislation, effective October 1, 1994, waived the billing and collection process of the U.S. tolls. However, the SLSDC still recognizes the requirement under the 1959 Tariff of Tolls agreement between Canada and need for the U.S. to negotiate Seaway toll levels with the SLSMC.

Selected Financial Indicators *
(in thousands of dollars)

For the Fiscal Years Ended September 30	2018	2017	Change $	Change %
Operating Revenues	**25,952**	**28,753**	**(2,801)**	**(10)**
Appropriations expended	25,366	28,166	(2,800)	(10)
Other	586	588	(2)	-
Operating Expenses	**19,975**	**18,514**	**1,461**	**8**
Personnel services and benefits	14,600	14,282	318	2
Other	5,375	4,232	1,143	27
Imputed Financing and Expenses				
Imputed financing	947	667	280	42
Imputed expenses	947	667	280	42
Total Assets	**208,601**	**191,058**	**17,543**	**9**
Time Deposits in Minority Banks	**10,946**	**10,690**	**256**	**2**
Short-term	8,248	8,620	(372)	(4)
Long-term	2,698	2,070	628	30
Interest Income from Minority Banks	**119**	**89**	**30**	**34**

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

Operating Revenues

Operating revenues, excluding imputed financing, totaled $26 million in Fiscal Year (FY) 2018, a $2.8 million decrease. Appropriations expended, representing the amount of the HMTF expended for operating purposes, also decreased $2.8 million and other revenues decreased $2,000.

Operating Expenses

Overall operating expenses of $20 million, excluding depreciation, imputed expenses and workers' compensation benefits, increased by $1.5 million. Personnel services and benefits increased $318,000 and other costs increased $1.1 million. Personnel services and benefits represented 73 percent of the Corporation's operating expenses in FY 2018.

Other costs of $5.4 million included: $3.6 million for other contractual services; $1.2 million for supplies and materials; $202,000 for travel and transportation of persons and things; $157,000 for rent, communications, and utilities; $130,000 for equipment not capitalized; and $11,000 for printing and reproduction.

The SLSDC employed 125 people on September 30, 2018, including two term employees.

Imputed Financing and Expenses

Effective in 1997, the SLSDC 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 SLSDC's financial position continues to remain sound with total assets of $209 million. Plant, property, and equipment are valued at $152 million.

Time Deposits in Minority Banks and Interest Income

A key asset of the SLSDC is time deposits in minority banks, totaling $10.9 million at year-end, an increase of $256,000. An increased investment level with higher interest rates led to a 33 percent increase in interest on deposits in minority banks. The interest income is an important financing source for the Corporation.

Unobligated Balance

The SLSDC had an unobligated balance on September 30, 2018 of $26.7 million, comprised of $3.2 million of unused borrowing authority, $11.9 million of carryover balance from FY 2018 appropriations, and $11.6 million in financial reserves. The reserve is maintained to finance emergency or extraordinary expenditures to ensure safe and uninterrupted use of the St. Lawrence Seaway, a policy affirmed by the USDOT, 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).

SLSDC's Asset Renewal Program (ARP)

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.

In FY 2018, the SLSDC obligated $7.8 million on 12 ARP projects and expended $14.6 million in other-than-personnel ARP costs including: $7 million to replace SLSDC's tugboat *Robinson Bay*; $6.1 million to install hands-free mooring system technology at Eisenhower Lock; $532,000 for concrete rehabilitation at Eisenhower Lock; $351,000 for upgrades to the gatelifter; $266,000 to replace the SLSDC's buoy barge crane; and $179,000 to replace Corporation vehicles.

Details on ARP projects with FY 2018 expenditures:

<u>ARP Project No. 12</u>: Corporation Equipment – Upgrade/Replace Floating Plant – TechCrane, Covington, La., was awarded a contract to manufacture and replace the crane on the Corporation's buoy barge. Construction on the new ice-class tugboat continues at Gulf Island Shipyards, Houma, La. The three main modules that make up the hull are scheduled to be welded together in November 2018. All major equipment, to include the main engines and Z-drives, are scheduled for installation in December 2018. The vessel is scheduled to be delivered to the SLSDC in September 2019.

<u>ARP Project No. 23</u>: Both Locks – Install Hands Free Mooring (HFM) System Technology – Tioga Construction Company, Inc, Herkimer, N.Y., completed the first phase of demolition work for the installation of the HFM slots and railings at Snell Lock during the 2018 winter shutdown period and will complete the second phase of slot construction and railing installation work during the 2019 winter shutdown period. Dow Electric, Malone, N.Y., was awarded a contract to install and commission the HFM units for Eisenhower Lock during the 2018 navigation season. The HFM system at Eisenhower Lock was made operational in September 2018.

<u>ARP Project No. 29</u>: Eisenhower Lock – Walls, Sill and Culverts – Patterson-Stevens, Tonawanda, N.Y., completed the dry-mix shotcrete repairs for the interior concrete surfaces of the north filling and emptying culvert at Eisenhower Lock during the 2018 winter shutdown period. Shotcrete Montana, Billings, Mont., was awarded a contract to complete the dry-mix shotcrete repairs for the four culvert valve vertical recesses at Eisenhower Lock during the 2019 winter shutdown period.

Operational Initiatives

SLSDC Crews Effectively Respond to Bulk Vessel Stuck in Ice at Snell Lock

On January 1, 2018, the international bulk carrier, *Federal Biscay*, while transiting downbound into the U.S. Snell Lock, became immobilized in ice while partially in the lock chamber. SLSDC operations, maintenance, and marine crews worked around-the-clock for several days in severe winter weather conditions, ultimately using pressurized steam to successfully dislodge the ship from the ice on January 6. SLSDC efforts ensured that four other commercial ships delayed by the incident did not become stranded in the St. Lawrence Seaway for the winter. The U.S. Seaway locks officially closed on January 9 following the safe downbound transit of the remaining commercial ships.

$7.8 Million Spent in FY 2018 on SLSDC ARP Infrastructure Projects

In FY 2018, the SLSDC obligated $7.8 million on 12 capital projects as part of its multi-year Asset Renewal Program. The ARP was started in FY 2009 to rehabilitate and modernize the SLSDC's lock infrastructure, vessels, facilities, and equipment in Massena, N.Y. ARP obligations included $4.6 million to upgrade the floating plant, $2 million to continue installation of HFM technology at both locks, and $536,000 to repair concrete at Eisenhower Lock.

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 increase the authorized depth or width of the navigation channel or the size of the lock facilities. Through the first 10 years of ARP funding (FYs 2009-2018), the SLSDC has obligated $146 million on 49 separate projects.

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 positive and significant impact on the Upstate New York economy. In fact, approximately half of the ARP funds obligated during the program's first 10 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.

SLSDC Hands-Free Mooring System
Installed and Made Operational at Eisenhower Lock

On September 19, 2018, the SLSDC launched the operations of the HFM system at its U.S. Eisenhower Lock in Massena, N.Y. The new technology allows commercial ships to transit safely and efficiently, while also enhancing workplace and operational safety conditions.

The HFM system uses vacuum pads, each of which provides up to 20 tons of holding force, mounted on vertical rails inside the lock chamber wall to secure the ship during the lockage process as it is raised or lowered while keeping it at a fixed distance from the lock wall. The last step in the lockage operation consists of releasing the vacuum and retracting the pads so that the vessel can sail safely out of the lock.

The SLSMC began testing the HFM technology in 2007 for potential use to replace the traditional practice of manually securing commercial vessels within the Canadian Seaway locks with mooring lines. Practical application began in late 2013. Testing by the SLSMC led to a fourth-generation design, which includes three units with two vacuum pads on each unit, mounted on rails in slots in the lock chamber wall. The SLSMC began full operations of the HFM at their high-left Seaway locks during the 2017 navigation season.

Once fully implemented at the U.S. and Canadian Seaway locks (the SLSDC's Snell Lock will be the last Seaway lock to become operational in 2019), the HFM system will produce significant benefits involving workplace safety, carrier operating costs, lower emissions, transit efficiencies, and system competitiveness. In May 2015, the Seaway's HFM technology was recognized by the Organization for Economic Cooperation and Development with the Promising Innovation in Transport Award.

Construction Begins on
New SLSDC Ice-Class Tugboat

In FY 2018, Gulf Island Shipyards of Houma, La., began construction on the SLSDC's new ice-class tugboat. A keel-laying ceremony took place on June 26, 2018 at the shipyard and was attended by SLSDC representatives. Once delivered in September 2019, the vessel will replace the SLSDC's 60-year-old tug *Robinson Bay*. The new vessel will be 118 feet in length with a 45-foot beam (width) and will be ice-classed and capable of breaking up to 36 inches of ice.

The new tugboat will further enhance the SLSDC's ability to quickly and effectively respond to emergency operational incidents on the St. Lawrence Seaway. In addition, the new tug will achieve greater operational and cost-savings efficiencies, especially for buoy maintenance and retrieval/placement at the end and start of each navigation season. The replacement tugboat will allow SLSDC marine crews to replace a buoy without having to push the Corporation's buoy barge with crane to the site to replace a buoy. Also, crews will be able to stay onboard the replacement tug during multi-day buoy tending operations at the beginning and end of each navigation season which will result in saving lodging and other travel-related expenses that have been incurred in the past. Finally, the new tugboat will produce lower emissions than the current *Robinson Bay* tugboat.

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

Under the Enhanced Seaway Inspection (ESI) program, the SLSDC inspects all ocean vessels on their initial transit into the St. Lawrence Seaway. 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 expedites the safe transit of shipping through the Great Lakes St. Lawrence Seaway System, while maintaining strict 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 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 2017 navigation season, with 229 inspections conducted by Corporation personnel. As of September 30, 2018, 202 vessel inspections had been completed during the 2018 navigation season.

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

In January 2018, a new report showed the continued effectiveness of the current Great Lakes Seaway ballast water management regime during the 2017 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 report was prepared by the Great Lakes Seaway Ballast Water Working Group (BWWG), which includes representatives of the SLSDC, 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 *2017 Summary of Great Lakes Seaway Ballast Water Working Group* examined the U.S.-Canada Great Lakes Seaway System ballast water ship inspection program. During 2017, 100 percent of the ships bound for the Great Lakes from outside the Exclusive Economic Zone received a ballast tank exam prior to entering the St. Lawrence Seaway for the eighth 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. In total, 8,350 ballast tanks were assessed during 457 inbound ocean vessel transits. Inspectors found that 99 percent of all ballast tanks were in compliance with required salinity levels.

BWWG agencies issued a Letter of Retention for 54 vessel transits involving 112 tanks – 68 tanks due to low salinity, 2 tanks due to high salinity, and 42 tanks due to improper reporting, carriage of liquids other than ballast water, or not accessible for testing. As a result, one vessel went back to sea to exchange nine ballast water tanks before entering the Seaway System.

The effectiveness of the BWWG and 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.

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

In FY 2018, the SLSDC continued to financially support and participate in the U.S.-Canadian "Green Marine" initiative, a marine industry partnership program aimed at demonstrating and communicating the maritime industry's commitment to addressing a number of key environmental issues.

The objective of the Green Marine program, which was launched in October 2007, is to build and maintain strong relations with key stakeholders and 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 2017 rating period, the SLSDC and 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 and Air Pollutants, Community Impacts, and Waste Management, and earned a perfect score of 5.0 for Environmental Leadership and Spill Prevention.

SLSDC Operations Teams Participate in St. Lawrence River Annual Emergency Exercise

The SLSDC maintains an Emergency Response Plan that enhances the Corporation's ability to respond to any vessel incident on the St. Lawrence River. 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 ensuring 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 and/or hosted 38 annual emergency exercises.

On August 15-16, 2018, the SLSDC participated in a two-day emergency response exercise along with representatives from other Federal and local response agencies, including the SLSDC's Marine Division, USCG, St. Regis Mohawk Safety Council, New York Power Authority, U.S. Customs and Border Protection, and various other safety organizations from St. Lawrence County.

The first day was a tabletop exercise that included a scenario of a tanker vessel running hard aground at Richards Point on the St. Lawrence River and leaking a hazardous product. As part of the tabletop exercise, a Unified Command Structure was established between the SLSDC, USCG, and St. Regis Mohawk Safety Council to manage and oversee the emergency response. The goal was to protect the Massena Intake while diverting the hazardous product to a collection point near Eisenhower Lock. The second day was a boom deployment exercise with SLSDC and USCG officials deploying 300 feet of oil boom using two SLSDC workboats and was conducted to test the feasibility of protecting the Massena Intake.

Trade and Economic Development Initiatives

Binational Great Lakes St. Lawrence Seaway System
Economic Impact Study Released

On July 18, 2018, a new economic impact study, "Economic Impacts of Maritime Shipping in the Great Lakes – St. Lawrence Region" was released, which represented the most comprehensive and in-depth analysis ever completed of the U.S. and Canadian impacts and benefits of commercial navigation in the Great Lakes/St. Lawrence Seaway/St. Lawrence River region. The study measured the economic impacts of cargo movements in 2017 at Great Lakes Seaway System ports, including employment, personal income, business revenue, local purchases, and federal, state, provincial, and local taxes. The comprehensive study was commissioned by the marine shipping industry in partnership with government agencies, including the SLSDC.

In 2017, ports and marine terminals on the Great Lakes Seaway System handled 285 million metric tons of cargo valued at $15.2 billion. This cargo included grain, iron ore, coal, manufactured iron and steel products, heavy lift/project cargoes, and salt. According to the study, this maritime commerce supports more than 237,000 U.S. and Canadian jobs (147,500 in the eight U.S. Great Lakes states) and generates annual binational economic benefits of $35 billion in economic activity ($26 billion in the U.S.), $14.2 billion in personal income and local consumption expenditures ($10.5 in the U.S.), and $6.6 billion in federal, state/provincial, and local tax revenue ($4.6 billion in the U.S.).

Maritime commerce that transited the SLSDC's two locks in 2017 totaled 38 million metric tons and was valued at $7.7 billion. This commerce moving through the SLSDC's locks supports 93,000 U.S. and Canadian jobs (33,000 in the U.S.) and generates annual binational economic benefits of $10.7 billion in economic activity ($4.7 billion in the U.S.), $4.9 billion in personal income and local consumption expenditures ($2.4 billion in the U.S.), and $2.4 billion in federal, state/provincial, and local tax revenue ($1.1 billion in the U.S.).

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

In FY 2018, the SLSDC celebrated six U.S. Great Lakes Seaway System ports with the 26th annual Robert J. Lewis Pacesetter Award for registering increases in international cargo tonnage shipped through their ports during the 2017 navigation season compared to 2016.

The six ports that won the Pacesetter Award for 2017 were the Port of Chicago (Ill.), the Cleveland-Cuyahoga County Port Authority (Ohio), the Ports of Indiana-Burns Harbor (Ind.), the Port of Lorain (Ohio), the Port of Monroe (Mich.), and the Toledo-Lucas County Port Authority (Ohio).

Established in 1992, the SLSDC Pacesetter Award annually recognizes the economic development achievements of those U.S. Great Lakes Seaway System ports that increase international tonnage shipped through the St. Lawrence Seaway in comparison to the previous year. Over that time, the SLSDC has distributed more than 139 Pacesetter Awards to 14 different U.S. Great Lakes Seaway ports.

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

The SLSDC and SLSMC co-led a binational delegation of Great Lakes Seaway System stakeholders at the annual Breakbulk Europe Conference and Exhibition from May 29-31, 2018, in Bremen, Germany. Over 10,000 participants attended Breakbulk Europe 2018, including more than 500 international exhibitors, sponsors, and industry experts. Breakbulk and project cargo represents the fastest growing cargo sector for Great Lakes Seaway commercial maritime traffic.

Organizations represented in the 2018 Highway H_2O delegation to Breakbulk Europe included the SLSDC, Canadian SLSMC, and port officials from Duluth Seaway Port Authority (Minn.), Port Milwaukee (Wis.), Oshawa Port Authority (Ont.), and Thunder Bay Port Authority (Ont.). The binational delegation collaborated to jointly promote shipping and to identify new and important trade opportunities throughout the Great Lakes Seaway System.

SLSDC Co-Sponsors Annual Highway H_2O Conference

The SLSDC co-sponsored and participated in the 13th Annual Highway H_2O Conference in Toronto, Ont., November 14-16, 2017. 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 “Collaboration for Economic Prosperity.” The annual Highway H_2O Conference is designed by Great Lakes Seaway System stakeholders and is dedicated to growing business throughout the binational waterway system.

SLSDC Participates at Annual
Seatrade Cruise Shipping Exhibition

In coordination with the Great Lakes Cruising Coalition, the SLSDC and several other Great Lakes Seaway System stakeholders participated in the annual Seatrade Cruise Shipping Exhibition, March 6-8, 2018, in Ft. Lauderdale, Fla. The goal of attending and exhibiting at the conference was to market and promote the Seaway System to cruise ship owners and operators.

The Great Lakes Seaway System booth was prominently displayed and delegation members were approached by multiple cruise ship owners, operators, charterers, and influencers with specific initiatives to bring added cruise inventory into the Great Lakes. Visitors to the information booth included cruise ship owners, operators, and travel agents. There was significant interest in the current Great Lakes Seaway System itineraries for the cruise ships *Pearl Mist*, *Grande Caribe*, *Grande Mariner*, *Victory I*, *Hamburg*, *Canadian Empress*, and newcomers *Victory II* and *Jacques Cartier*.

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 co-sponsored its annual trade promotion and stakeholders' appreciation reception in Montreal, Que., November 30, 2017. 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 200 stakeholders.

Management Initiatives

SLSDC Employees and Teams
Receive USDOT Secretarial Awards

On November 8, 2017, U.S. Transportation Secretary Elaine L. Chao honored several SLSDC employees and work teams at the 50th annual USDOT Secretary's Awards Ceremony in Washington, D.C. At the event, the Secretary recognized employees and teams across DOT who performed their duties in an exemplary manner to meet the Department's strategic goals and accomplish its mission.

Secretary Chao awarded a Meritorious Achievement Award to Carrie Lavigne, Chief Counsel, for her exceptional collaboration and policy development involving the shared binational management of the St. Lawrence Seaway between the United States and Canada. This is the third highest award bestowed by the Secretary in recognition of exceptionally meritorious service to the Department or Federal government. Jeffrey White, Chief, Heavy Equipment Branch, was presented the Secretary's Excellence Award, which is granted to employees who have achieved outstanding performance in all aspects of their work and deserve special commendation. Mr. White received the award for his dedication and leadership, particularly with regard to ensuring that the SLSDC's cranes and heavy equipment were safe and reliable.

The SLSDC was privileged to have two teams of employees receiving a Transportation Safety Award. The Enhanced Ship Inspection Team was recognized for their dedication and expertise, which has contributed to a significant reduction in the number of vessel incidents in the waterway. The Skiff Rescue Team also received a Transportation Safety Award for their efforts to identify and procure essential equipment as well as to develop procedures to conduct water rescues when necessary.

First Annual SLSDC Administrator's Awards Ceremony
Recognizes Employees Exemplifying Organizational Core Values

The first annual SLSDC Administrator's Awards Ceremony was held on November 29, 2017, in Massena, N.Y., to recognize employees who have exemplified the organization's core values: Service, Leadership, Stewardship, Dependability, and Commitment. The ceremony took place at the New York Power Authority's Hawkins Point Visitors Center. Deputy Administrator Craig Middlebrook and Associate Administrator Thomas Lavigne made remarks and presented plaques and certificates to SLSDC employees for their notable achievements in leadership, commitment to excellence, and teamwork.

SLSDC Achieves ISO 9001:2008 Certification;
Transitions Quality Management System to ISO 9001:2015 Standard

In August 2018, a two-day audit of the SLSDC's International Standards Organization (ISO) 9001:2008-certified quality management system (QMS) was conducted by Lloyds Register of Quality Assurance, an independent accrediting agency. The audit found that the SLSDC successfully carried out corrective/preventive actions in its QMS during the previous year.

In addition to receiving favorable audit findings on its QMS, the SLSDC was also given the authority to transition to the latest ISO standard – 9001:2015. This new standard includes greater emphasis on risk management and is based on several quality management principles including a strong customer focus, the motivation and implication of top management, the process approach, and continual improvement.

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.

Maintaining ISO certification has kept SLSDC 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 Participates in Great Lakes Seaway Partnership Capitol Day Events in Lansing, Michigan

The SLSDC, as a member of the Great Lakes Seaway Partnership (Partnership), participated in Capitol Day events in Lansing, Mich., in October 2017. On October 2-3, the SLSDC and Partnership members met with Michigan Governor Rick Snyder to talk about the importance of commercial maritime navigation to the state of Michigan, specifically the economic, environmental, and safety benefits of shipping.

The Partnership's Capitol Day events are intended to educate state officials about the Great Lakes St. Lawrence Seaway System and to inform state policymakers on the importance of the binational waterway to the state economy. The Michigan event was the fourth state Capitol Day sponsored by the Partnership. Previous events were held in Indianapolis, Ind., Madison, Wis., and Columbus, Ohio.

The Partnership, created in June 2015, brings together leading U.S. and Canadian maritime organizations, including the SLSDC, 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, policymakers, community groups, allied industries, environmental stakeholders, and the public to highlight the positive attributes of marine transportation.

SLSDC FY 2018 Key Performance Measures and Results

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 2017 season, with 229 vessel inspections conducted by SLSDC personnel. In 2018, through September 30, 202 vessel inspections had been completed.

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 2018 navigation season, through September 30, was 98.9 percent. Final FY 2018 system reliability was 96.2 percent.

Lock Availability — "Minimize vessel delays due to lock equipment failure or malfunction." The goal each year is 99 percent lock availability. Lock availability during the 2018 season, through September 30, was 99.9 percent. Final FY 2018 lock-related delays totaled 7 hours, 20 minutes, which produced a 99.9 percent lock availability rate.

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 2018 at 20 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 2018 with a year-end balance of $11.6 million.

Attachment 2. Agency FMFIA Assurance Statement

U.S. Department
Of Transportation

**Saint Lawrence
Seaway Development
Corporation**

Memorandum

Subject: Federal Managers' Financial Integrity Act (FMFIA) Assurance Statement

Date: October 17, 2018

From: Craig H. Middlebrook
Deputy Administrator

To: Louis C. King
Assistant Inspector General for Financial and Information Technology Audits

Pursuant to Section 306 of the Chief Financial Officers Act of 1990, the Saint Lawrence Seaway Development Corporation (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, 2018, 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, 2018, 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 2018 and prior years.

Attachment 3. Agency Financial Statements and Notes

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash		
Held by U.S. Treasury	**$ 40,792,847**	$ 31,520,567
Held in banks and on hand	**1,174**	5,450.00
Short-term time deposits in minority banks (Note 3)	**8,248,000**	8,620,000
Accounts receivable (Note 4)	**96,014**	69,736
Due from SIBC (Note 6)	**3,008,562**	3,171,712
Operating materials and supplies (Note 2)	**448,429**	404,968
Other current assets (Note 4)	**90,537**	15,415
Total current assets	**52,685,563**	43,807,848
Long-Term Investments		
Long-term time deposits in minority banks (Note 3)	**2,698,000**	2,070,000
Plant, Property and Equipment		
Plant in service (Note 5)	**242,651,707**	229,969,194
Less: Accumulated depreciation	**(122,172,000)**	(115,863,956)
Net plant in service	**120,479,707**	114,105,238
Information Software, net	**926,399**	1,172,856
Work in progress	**31,055,525**	29,125,952
	152,461,631	144,404,046
Other Assets		
Lock spare parts, net (Note 2)	**755,467**	776,116
Total assets	**$ 208,600,661**	$ 191,058,010

See Notes to Financial Statements

(Continued)

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

Liabilities and Equity of the U.S. Government	2018	2017
Current Liabilities		
Accounts payable	**$ 5,936,971**	$ 2,420,919
Accrued annual leave (Note 2)	**860,712**	861,685
Accrued payroll costs	**526,352**	518,083
Other Current Liabilites	**1,174**	5,450
Total current liabilities	**7,325,209**	3,806,137
Actuarial Liabilities		
Worker's compensation benefits (Note 2)	**4,485,771**	4,330,027
Total liabilities	**11,810,980**	8,136,164
Equity of the U.S. Government		
Invested capital (Note 2)	**167,694,890**	159,603,283
Cumulative results of operations	**26,086,229**	20,146,851
Cumulative results of SIBC restricted use fund (Note 6)	**3,008,562**	3,171,712
	196,789,681	182,921,846
Total liabilities and equity of the U.S. Government	**$ 208,600,661**	$ 191,058,010

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, 2018 and 2017

	2018	2017
Operating Revenues		
Appropriations expended	**$ 25,366,088**	$ 28,165,729
Imputed financing (Note 9)	**946,710**	667,194
Other (Note 7)	**586,003**	587,768
Total operating revenues	**26,898,801**	29,420,691
Operating Expenses (Note 8)		
Locks and marine operations	**5,901,788**	5,720,185
Maintenance and engineering	**6,635,273**	5,964,686
General and development	**3,078,399**	2,501,951
Administrative expenses	**4,360,014**	4,327,259
Depreciation	**6,682,305**	5,074,789
Imputed expenses (Note 9)	**946,710**	667,194
Worker's compensation benefits (Note 2)	**155,744**	438,645
Total operating expenses	**27,760,233**	24,694,708
Operating (loss) gain	**(861,432)**	4,725,983
Other Financing Sources		
Interest on deposits in minority banks	**118,505**	89,401
Transfer from invested capital for depreciation	**6,682,305**	5,074,789
Total other financing sources	**6,800,810**	5,164,190
Operating revenues and other financing sources over operating expenses	**5,939,378**	9,890,173
Beginning cumulative results of operations	**20,146,851**	10,256,678
Ending cumulative results of operations	**$ 26,086,229**	$ 20,146,851
SIBC Restricted Use Fund Activity (Note 6)		
Interest earned	**34,234**	37,420
Allocation of annual surplus	**127,490**	184,978
Foreign currency exchange	**(113,997)**	147,361
Total SIBC revenues	**47,727**	369,759
Bridge repairs	**210,877**	83,788
SIBC restricted fund (loss) gain	**(163,150)**	285,971
Beginning cumulative results of SIBC restricted use fund	**3,171,712**	2,885,741
Ending cumulative results of SIBC restricted use fund	**$ 3,008,562**	$ 3,171,712

See Notes to Financial Statements

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Operating revenues and other financing sources over operating expenses	**$ 5,939,378**	$ 9,890,173
Adjustments to reconcile operating revenues and other financing sources over operating expenses to net cash provided by (used in) operating activities:		
Depreciation	**6,682,305**	5,074,789
Transfer from invested capital for depreciation	**(6,682,305)**	(5,074,789)
Net loss (gain) on property disposals	**34,437**	(28,442)
Change in assets and liabilities:		
Accounts receivable	**(26,278)**	(21,029)
Operating materials and supplies	**(43,461)**	(1,965)
Other current assets	**(75,122)**	-
Other assets	**20,234**	(14,942)
Accounts payable	**3,516,052**	151,359
Accrued liabilities	**7,296**	(8,536)
Other Current Liabilities	**(4,276)**	5,450
Actuarial Liabilities (Note 2)	**155,744**	438,645
Net cash provided by (used in) operating activities	**9,524,004**	10,410,714
Cash flows from investing activities:		
Proceeds from plant, property and equipment disposals	**-**	39,390
Acquisition of plant, property and equipment	**(14,633,912)**	(7,862,271)
Net increase in time deposits	**(256,000)**	(195,000)
Net cash used in investing activities	**(14,889,912)**	(8,017,881)
Cash flows from financing activities:		
Appropriations for plant, property and equipment	**14,633,912**	7,862,271
Net increase (decrease) in cash	**9,268,004**	10,255,104
Cash at beginning of year	**31,526,017**	21,270,913
Cash at end of year	**$ 40,794,021**	$ 31,526,017

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, 2018

	- - - - - - - - Budget - - - - - - - -		
	Resources	**Obligations**	**Expenses**
Saint Lawrence Seaway Development Corporation Fund	$ 54,820,414	$ 28,126,700	$ 27,760,233
Budget Reconciliation:			
Total expenses			27,760,233
Adjustments			
Add:			
Capital acquisitions			14,633,912
Increase in operating materials and supplies			43,461
Deduct:			
Depreciation			(6,682,305)
Imputed expenses			(946,710)
Workers' compensation benefits			(155,744)
Decrease in other assets			(20,234)
Decrease in net plant in service, property disposals			(34,437)
Less reimbursements:			
Trust funds			(40,000,000)
Revenues from non-federal sources			(704,508)
Accrued expenditures			$ (6,106,332)

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, 2018 and 2017

	Invested Capital	Unexpended Appropriations	Cumulative Results of Operations	Cumulative Results of SIBC Restricted Use Fund
Balance, September 30, 2016	$ 156,605,801	$ -	$ 10,256,678	$ 2,885,741
Appropriations expended	-	(28,165,729)	28,165,729	-
Fiscal Year 2017 appropriations	-	36,028,000	-	-
Other financing sources	210,000	-	1,344,363	369,759
Operating expenses, excluding depreciation and imputed expenses	-	-	(18,514,080)	(83,788)
Depreciation expense	-	-	(5,074,789)	-
Imputed expenses	-	-	(667,194)	-
Workers' compensation actuarial	-	-	(438,645)	-
Transfer from invested capital for depreciation	(5,074,789)	-	5,074,789	-
Capital expenditures	7,862,271	(7,862,271)	-	-
Balance, September 30, 2017	159,603,283	-	20,146,851	3,171,712
Appropriations expended	-	(25,366,088)	25,366,088	-
Fiscal Year 2018 appropriations	-	40,000,000	-	-
Other financing sources	140,000	-	1,651,218	47,727
Operating expenses, excluding depreciation and imputed expenses	-	-	(19,975,474)	(210,877)
Depreciation expense	-	-	(6,682,305)	-
Imputed expenses	-	-	(946,710)	-
Workers' compensation actuarial	-	-	(155,744)	-
Transfer from invested capital for depreciation	(6,682,305)	-	6,682,305	-
Capital expenditures	14,633,912	(14,633,912)	-	-
Balance, September 30, 2018	$ 167,694,890	$ -	$ 26,086,229	$ 3,008,562

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.

Operating materials and supplies consist primarily of expendable personal property to be consumed in normal operations and are valued at 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 $20,000 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. The accumulated depreciation for FY 2018 includes unplanned depreciation to adjust the net book values of some assets.

Lock spare parts are separated into two categories, minor and major. Major lock spare parts are those items which are depreciated and may be refurbished and returned to stock for future use. Minor lock spare parts are expended when consumed. On the balance sheet, lock spare parts are listed under Other Assets, net of accumulated depreciation. The total cost of major lock spare parts at September 30, 2018 was $224,756, the accumulated depreciation was $214,190, and the net amount was $10,566. The total cost of minor lock spare parts at September 30, 2018 was $744,901.

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

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

The Corporation funds a program administered by the U.S. Department of Labor to compensate certain employees for death and disability resulting from performance of duty injuries or illnesses as set forth in the Federal Employees Compensation Act (FECA). As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life. The Corporation recognizes current costs of the program on an accrual basis and expenses those costs in the year the benefits are due. Effective with fiscal year (FY) 1994, the actuarial liability of these benefits are recognized and recorded in these financial statements. The liability recorded of $4,485,771 and $4,330,027 at September 30, 2018 and 2017, 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 $43,850,000 for FY 2018, $40,000,000 from the Fund (Public Laws 115-141); $3,200,000 from the Corporation’s unobligated balance and $650,000 from non-federal revenues. FY 2018 funding includes year ten of a 10-year Asset Renewal Plan. Actual obligations, in contrast to the accrued costs stated in the Statement of Operations, totaled $28,126,700 for FY 2018. The Corporation's unobligated balance at September 30, 2018 totaled $26.7 million including $3.2 million unused borrowing authority. For FY 2018, the Corporation is currently operating on a Continuing Resolution based on the FY 2018 level of $40,000,000. In addition, authority to obligate $650,000 of non-federal revenues has been apportioned by OMB for FY 2019.

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

Statements of Cash Flows

For purposes of financial reporting, the Corporation considers cash to be cash held in the U.S. Treasury, cash in banks and cash on hand.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3. Time Deposits in Minority Banks

The Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises. These deposits consist mainly of the Corporation's unobligated balance, which is retained for emergency situations.

Note 4. Accounts Receivable and Other Current Assets

The Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant. Receivables and other current assets as of September 30, 2018 and 2017 are as follows:

	2018	2017
Due from concession contracts	**$ 31,959**	$ 35,869
Other	**49,859**	24,926
Interest on deposits in minority banks	**14,196**	8,940
	96,014	69,736
Prepaid Contracts-Non-Federal	**82,637**	-
Prepaid Contracts-Federal	**7,900**	15,415
Total	**$ 186,551**	$ 85,151

Note 5. Plant in Service

Plant in service as of September 30, 2018 and 2017 is as follows:

Plant in Service	**Estimated Life (Years)**	**2018 Cost**	**2018 Accumulated Depreciation**	2017 Cost	2017 Accumulated Depreciation
Locks and guidewalls	40 - 100	**$ 135,253,757**	**$ 58,777,175**	$ 123,960,147	$55,014,296
Channels and canals	95	**36,870,221**	**21,037,251**	36,870,221	20,650,162
Buildings, grounds and utilities	50	**24,775,599**	**12,204,433**	24,186,607	11,160,909
Permanent operating equipment	5 - 40	**22,109,862**	**12,544,843**	21,309,506	12,124,602
Roads and bridges	50	**13,913,141**	**11,220,635**	13,913,141	10,904,184
Land rights & relocations	95	**5,639,064**	**3,537,039**	5,639,064	3,182,413
Navigation aids	10 - 40	**3,222,737**	**2,850,624**	3,223,183	2,827,391
Lands in fee	N/A	**867,326**	**-**	867,326	-
Total plant in service		**$ 242,651,707**	**$122,172,000**	$ 229,969,194	$115,863,956

The U.S. portion of the St. Lawrence Seaway was built in the late 1950s. The Corporation developed, as part of its FY 2009 budget request to Congress, a ten-year Asset Renewal Program (ARP) estimated at $186 million to address the long-term asset renewal needs of the aging U.S. Seaway Infrastructure. The ARP includes various needs for the two U.S. Seaway Locks, the Seaway International Bridge, maintenance dredging, operational systems, and Corporation facilities and equipment. The total amount that has been expended and/or committed (including open obligations) in the program through September 30, 2018, excluding personnel compensation, amounted to $146,369,919.

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, 2018 is the cost of a financial management system implemented by the Corporation during FY 2015 and a travel management system implemented in FY 2017. The total cost of both systems is $1,725,204 and is being amortized over 7 years. Total amortization for the year ended September 30, 2018 amounted to $798,805.

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 to use on expenses for the South Channel Span as follows:

	2018	2017
Beginning Balance, 10/1	**$ 3,171,712**	$ 2,885,741
Interest Earned	**34,234**	37,420
Allocation of Annual Surplus	**127,490**	184,978
Bridge Repairs	**(210,877)**	(83,788)
Foreign Currency Exchange	**(113,997)**	147,361
Ending Balance, 9/30	**$ 3,008,562**	$ 3,171,712
Amount restricted for future South Channel Span repairs	**$ 3,008,562**	$ 3,171,712

The ending balance is disclosed as an asset, Due from SIBC, and equity, Cumulative results of SIBC restricted use fund. The activity for FY 2018 and FY 2017 is disclosed on the Statement of Operations and Changes in Cumulative Results of Operations. Bridge Repairs for FY 2018 includes $72,393 of consultant fees for pending Service Job Order 18-01- Replacement Travelers.

Note 7. Other Revenues

Other revenues for the years ended September 30, 2018 and 2017 consist of the following:

	2018	2017
Concession operations	**$ 352,622**	$ 327,242
Miscellaneous	**86,128**	71,846
Pleasure craft/non-commercial tolls	**69,148**	68,259
Rental of administration building	**46,462**	46,989
Rebates	**22,719**	15,225
Payments for damages to locks, net	**8,924**	18,817
Gain on property disposals	**-**	39,390
Total	**$ 586,003**	$ 587,768

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, 2018 and 2017 are as follows:

	2018	2017
Personnel services and benefits	**$ 14,600,396**	$ 14,282,476
Contractual services	**3,598,217**	2,845,689
Supplies and materials	**1,242,057**	935,437
Travel and transportation	**202,495**	190,623
Rental, communications and utilities	**156,692**	178,491
Equipment not capitalized	**129,890**	57,431
Loss on property disposals	**34,437**	10,949
Printing and reproduction	**11,290**	12,984
Subtotal	**19,975,474**	18,514,080
Depreciation expense	**6,682,305**	5,074,789
Imputed expenses	**946,710**	667,194
Total operating expenses	**$ 27,604,489**	$ 24,256,063

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, 2018 and 2017 as follows:

	2018	2017
Federal Employees Retirement System:		
Automatic contributions	**$ 1,290,162**	$ 1,278,419
Matching contributions	**338,581**	335,025
Social Security	**617,387**	604,403
Civil Service Retirement System	**51,609**	59,598
Total	**$ 2,297,738**	$ 2,277,445

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, 2018 and 2017 were $946,710 and $667,194, 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, 2018 and 2017, revenue totaled $43,443 and $42,553 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, 2018 and 2017 of $437,055 and $392,682, 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 2018 and FY 2017 were as follows:

	2018	2017
Department of Interior	**$ 707,537**	616,186
Federal Aviation Administration	**450,702**	$ 405,777
Federal Highway Administration	**10,205**	44,960
Department of Commerce	**9,427**	8,388
Federal Occupational Health	**1,202**	270
General Services Administration	**0**	595
Total	**$ 1,179,073**	$ 1,076,176

Accounts payable and accrued payroll benefits at September 30, 2018 and 2017 include $1,547,518 and $1,486,939 respectively, of amounts payable to the U.S. Government.

In fiscal years 2018 and 2017, the Corporation accrued costs of $107,150 and $104,306, 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, 2018, no material claims are pending against the Corporation. In addition to the current liabilities at September 30, 2018 and 2017 there were open obligations amounting to $20,928,997 and $27,572,271, 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 $54,820,414 consist of the Corporation's unobligated balance of $14,053,024 brought forward October 1, 2017, and reimbursements earned of $40,703,944, and recoveries of prior year's obligations of $63,446.

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