

1211 1984

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Examination Of The Saint Lawrence Seaway Development Corporation's Financial Statements For The Year Ended December 31, 1983

GAO examined the financial statements of the Saint Lawrence Seaway Development Corporation for the year ended December 31, 1983. The examination was made in accordance with generally accepted government auditing standards

In GAO's opinion, the financial statements present fairly the financial position of the Corporation as of December 31, 1983, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.



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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

This report presents our opinion on the Saint Lawrence Seaway Development Corporation's financial statements for the year ended December 31, 1983. We made our examination pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

The Saint Lawrence Seaway Development Corporation, a wholly owned government corporation, is an operating administration in the U.S. Department of Transportation. It was created to develop, operate, and maintain with Canada a seaway between Montreal and Lake Erie, chiefly by operating two locks on the Saint Lawrence River.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of Transportation, the Secretary of the Treasury, the Administrator of the Saint Lawrence Seaway Development Corporation, and the Auditor General of Canada.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-125007

To the Administrator
Saint Lawrence Seaway Development Corporation
U.S. Department of Transportation

We have examined the statement of financial position of the Saint Lawrence Seaway Development Corporation as of December 31, 1983, and the related statements of operations and changes in accumulated deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Saint Lawrence Seaway Development Corporation as of December 31, 1983, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The financial statements of the Saint Lawrence Seaway Development Corporation for the year ended December 31, 1982, were not audited by us and, accordingly, we do not express an opinion on them.

A handwritten signature in cursive script that reads "Charles A. Brooks".

Comptroller General
of the United States



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REPORT ON INTERNAL ACCOUNTING CONTROLS

As part of our examination of the Saint Lawrence Seaway Development Corporation's financial statements for the year ended December 31, 1983, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- expenditure,
- financial reporting,
- fixed asset,
- revenue, and
- treasury.

Our study and evaluation was limited to a preliminary review of the system of internal accounting control to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because it was more efficient to expand substantive audit tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase.

The management of the Saint Lawrence Seaway Development Corporation is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Saint Lawrence Seaway Development Corporation taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Saint Lawrence Seaway Development Corporation for the year ended December 31, 1983. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

In our opinion, the Saint Lawrence Seaway Development Corporation complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the Corporation's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the Corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1983 AND 1982**

	1983	1982 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,882,944	\$ 6,452,321
Time deposits in minority banks (Note 3)	5,000,000	2,320,000
Tolls and other receivables (Note 4)	1,309,986	1,102,144
Inventories, at cost	<u>435,463</u>	<u>405,274</u>
Total current assets	<u>12,628,393</u>	<u>10,279,739</u>
PLANT, PROPERTY, AND EQUIPMENT		
Plant in service (Note 5)	135,153,219	134,717,170
Less accumulated depreciation	<u>37,683,682</u>	<u>35,805,608</u>
Net plant in service	97,469,537	98,911,562
Construction in progress	<u>209,318</u>	<u>12,038</u>
Total plant, property, and equipment	<u>97,678,855</u>	<u>98,923,600</u>
OTHER ASSETS		
Investment in Seaway International Bridge Corporation, Ltd (Note 6)	<u>7,440</u>	<u>7,440</u>
Total assets	<u>\$110,314,688</u>	<u>\$109,210,779</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accrued liabilities and deferred revenue (Note 7)	<u>\$ 1,133,919</u>	<u>\$ 1,048,317</u>
Total current liabilities	<u>1,133,919</u>	<u>1,048,317</u>
EQUITY OF THE U.S. GOVERNMENT		
Invested Capital	109,976,000	109,976,000
Accumulated deficit	<u>795,231</u>	<u>1,813,538</u>
Total equity (Note 8)	<u>109,180,769</u>	<u>108,162,462</u>
Total liabilities and equity	<u>\$110,314,688</u>	<u>\$109,210,779</u>

The accompanying notes are an integral part of the statements.

**STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED DEFICIT
FOR THE CALENDAR YEARS 1983 AND 1982**

	1983	1982 (unaudited)
REVENUES		
Seaway tolls	\$ 10,939,235	\$ 9,872,542
Other (Net) (Note 9)	<u>600,417</u>	<u>517,260</u>
Total revenues	<u>11,539,652</u>	<u>10,389,802</u>
EXPENSES		
Operating expenses (Note 10)	8,589,014	7,481,164
Depreciation	<u>1,932,331</u>	<u>1,949,392</u>
Total expenses	<u>10,521,345</u>	<u>9,430,556</u>
Net income	1,018,307	959,246
Accumulated deficit at beginning of the year as restated (Note 11)	<u>- 1,813,538</u>	<u>- 2,772,784</u>
Accumulated deficit at end of the year (Note 8)	<u>\$ - 795,231</u>	<u>\$ - 1,813,538</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE CALENDAR YEARS 1983 AND 1982**

	1983	1982 (unaudited)
SOURCES OF FUNDS		
Operations		
Net income for the year	\$ 1,018,307	\$ 959,246
Depreciation not requiring an outlay of funds	<u>1,932,331</u>	<u>1,949,392</u>
	<u>2,950,638</u>	<u>2,908,638</u>
Cancellation of debt (Note 8)	—	109,976,000
Proceeds from property disposals	<u>17,114</u>	<u>12,711</u>
	<u>2,967,752</u>	<u>112,897,349</u>
APPLICATION OF FUNDS		
Retirement of debt (Note 8)	—	109,976,000
Acquisition of fixed assets	<u>704,700</u>	<u>1,444,099</u>
	<u>704,700</u>	<u>111,420,099</u>
Increase in working capital	<u>\$ 2,263,052</u>	<u>\$ 1,477,250</u>

The accompanying notes are an integral part of the statements

CHANGES IN WORKING CAPITAL ACCOUNTS

	1983	1982 (unaudited)
CURRENT ASSETS		
Cash	\$ - 569,377	\$ 816,267
Time deposits in minority banks	2,680,000	—
Tolls and other receivables	207,842	88,189
Inventories	<u>30,189</u>	<u>82,218</u>
Total	<u>2 348 654</u>	<u>986,674</u>
CURRENT LIABILITIES		
Accrued liabilities and deferred revenue	<u>85,602</u>	- 490 576
Total	<u>85,602</u>	<u>490 576</u>
Increase in working capital	<u>\$ 2 263,052</u>	<u>\$ 1 477 250</u>

NOTES TO FINANCIAL STATEMENTS

1 **The Corporation** — The Saint Lawrence Seaway Development Corporation is a wholly-owned government corporation created by the Wiley-Dondero Act of May 13, 1954 (68 Stat 92, 33 U.S.C. 981) as amended. It is one of the operating administrations in the U.S. Department of Transportation and develops, operates and maintains the portion of the Seaway between Montreal and Lake Erie which is within the territorial limits of the U.S., chiefly by operating two locks on the St. Lawrence River.

2 **Summary of Significant Accounting Policies**

Basis of Accounting — Assets, liabilities, equity, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles as applied to regulated enterprises. **Inventories** — The weighted average cost method is used to determine inventory value. **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. Assets with useful lives over one year and improvements or betterments are capitalized. Repairs and maintenance costs are expensed. The straight-line method of depreciation is used and is computed on balances in plant in service. Accumulated depreciation is 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 accumulated depreciation. **Revenues** — To insure the Seaway Corporation's liquidity, cash has been retained to provide working capital during the non-navigation season and to meet needed expenditures, particularly large capital outlays for replacements or for maintenance which cannot be funded out of one-year revenues. **Pensions** — The Seaway Corporation's employees are covered by the Civil Service Retirement and Disability Fund. Consequently, the Seaway Corporation has

the responsibility for withholding seven percent of each employee's salary and for contributing a matching amount to the plan. The Seaway Corporation's matching amounts were \$310,976 and \$309,291 in 1983 and 1982, respectively.

3 **Time Deposits in Minority Banks** — The Seaway Corporation maintains insured deposits in a number of minority banks throughout the United States to help expand opportunities for minority business enterprises.

4 **Tolls and Other Receivables** — The Seaway Corporation has not provided for an allowance on uncollectible receivables because prior losses have been insignificant and a large percent of receivables are guaranteed by a security deposit.

5 **Plant, Property and Equipment** — Plant, property and equipment as of December 31, 1983 and 1982 is as follows:

PLANT IN SERVICE	Est Service Life	1983		1982 (Unaudited)	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land in fee	—	\$ 911 026	—	\$ 911 026	—
Land rights & relocations	95 yrs	5 639 064	5 1 84 086	5 639 064	5 1 124 376
Locks & guideways	40-100 yrs	69 222 756	19 047 523	69 068 583	18 180 267
Roads & bridges	50 yrs	8 664 801	4 252 961	8 664 801	4 079 665
Channels & canals	95 yrs	36 534 747	7 611 686	36 534 747	7 228 071
Public use facilities	50 yrs	670 568	258 760	554 267	245 349
Navigation aids	10-40 yrs	2 087 011	716 873	2 025 332	654 220
Buildings grounds & utilities	50 yrs	5 846 781	1 339 903	5 834 317	1 239 097
Permanent operating equipment	7-40 yrs	5 576 455	3 271 890	5 465 027	3 054 063
Total		<u>\$135 153 219</u>	<u>\$37 583 682</u>	<u>\$134 717 170</u>	<u>\$35 805 608</u>

continued

... NOTES TO FINANCIAL STATEMENTS

The above plant in service includes costs of certain features of the Seaway International Bridge Corporation, Ltd., 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 costs incurred in building the superstructure of the South Channel Bridge. The gross amounts \$3,897,379 in land rights and relocations, and \$4,853,320 in roads and bridges, have been depreciated accordingly

6 Other Assets — Other assets consist of an investment in the Seaway International Bridge Corporation, Ltd., a wholly-owned subsidiary of the St. Lawrence Seaway Authority of Canada. The annual income from the Bridge Corporation after all operating expenses, is distributed as a bridge user charge, first to the St. Lawrence Seaway Authority to offset the amortization of the cost of the North Channel Bridge together with interest, then to the Saint Lawrence Seaway Development Corporation to offset the amortization of the Racquette River Bridge, and the balance, if any is then divided equally between both parties. Any revenues received by the U.S. Seaway Corporation is returned to the U.S. Treasury as miscellaneous receipts. No revenue from the Bridge Corporation has been received since 1961.

7 Accrued Liabilities and Deferred Revenue

Accrued liabilities and deferred revenue consisted of the following as of December 31, 1983 and 1982, respectively

	1983	1982 (Unaudited)
Annual leave	\$ 391 644	\$ 382 561
Accounts payable	614 318	539 528
Accrued payroll	107 775	104 930
Other	20 182	21 298
	<u>\$1 133 919</u>	<u>\$1 048 317</u>

8 Equity of the U.S. Government — On December 18, 1982, Congress cancelled the outstanding revenue bonds of \$109,976,000 (P. L. 97-369, 96 Stat. 1782). Prior to that date the Seaway Corporation was required to repay the bonds to the U.S. Treasury. With cancellation of the debt, the amount was converted to invested capital. Since this event occurred during 1982, the amount appears as invested capital as of December 31, 1982. Prior to the 1982 event, significant events related to the Equity of the U.S. Government in the Seaway Corporation were as follows: According to the 1954 Act setting up the Seaway Corpora-

tion, as amended in 1957, the Seaway Corporation had borrowing authority of \$140,000,000 (33 USC 985). On October 21, 1970, P. L. 91-469 (84 Stat. 1038) amended 33 USC 985 by cancelling interest payments in 1978 and again in 1981 the debt payment was restructured, decreasing the amount scheduled for redemption 1978 through 1982, and 1981 through 1985.

9 Other Revenues — Other revenues include interest on deposits in minority banks in 1983 (\$346,277) and in 1982 (\$302,532), operation of concessions in 1983 (\$146,069) and in 1982 (\$112,834), and other miscellaneous receipts in 1983 (\$108,071) and in 1982 (\$101,894) — including shippers' payments for damages which are reported net of direct materials and direct labor costs, which in 1983 and 1982 amounted to \$18,367 and \$9,052, respectively.

10 Operating Expenses — The operating expenses of the Corporation in 1983 and 1982 were as follows:

TYPES OF EXPENSES	1983	1982 (Unaudited)
Administrative expenses	\$1 382 600	\$1 257 580
Operations		
Locks and Manne	2 583 907	2 220 342
Maintenance and Engineering	2 868 960	2 523 455
Operational support services	196 716	180 495
General expenses and development	<u>1 556 831</u>	<u>1 299 292</u>
Total	<u>\$8 589 014</u>	<u>\$7 481 164</u>

11 Prior Period Adjustment — A prior period adjustment to the 1982 beginning balance of accumulated deficit of \$267,748 was made to reverse an entry made in 1980 which adjusted prior years' depreciation changes due to a fire in the administration building.

Accumulated deficit at beginning of 1982 as previously reported	\$2 505 036
Prior period adjustment	<u>267 748</u>
Accumulated deficit at beginning of 1982 as restated	<u>\$2 772 784</u>

12 Contingencies and Commitments — As of December 31, 1983 there were no claims pending against the Seaway Corporation. In addition to the current liabilities at December 31, 1983 and 1982, there were undelivered orders and contracts amounting to \$1,003,941 and \$543,861, respectively.

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