



SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE AND RELATED
COMPLIANCE REPORTS

CSX Corporation
Year Ended December 28, 2012
With Report of Independent Certified Public Accountants

Ernst & Young LLP

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CSX Corporation

Schedule of Expenditures of State Financial Assistance
and Related Compliance Reports

Year Ended December 28, 2012

Contents

Schedule of Expenditures of State Financial Assistance 1

Notes to Schedule of Expenditures of State Financial Assistance.....2

Report of Independent Certified Public Accountants on Compliance for Each Major
State Project; Report on Internal Control Over Compliance and Report on
Schedule of Expenditures of State Financial Assistance Required by Section
215.97, *Florida Statutes*3

Schedule of Findings and Questioned Costs.....6

CSX Corporation

Schedule of Expenditures of State Financial Assistance

Year Ended December 28, 2012

<u>Grantor Agency/Program</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures</u>
State Financial Assistance			
Florida Department of Transportation			
Rail Development Grants:			
Project FL 1628	55.021	AQD17	\$ 3,449,978
Project FL 1629	55.021	AQD17	2,618,878
Project FL 1630	55.021	AQD17	11,270,296
Project FL 1631	55.021	AQD17	2,696,194
Project FL 1632	55.021	AQD17	3,354,660
Project FL 1633	55.021	AQD17	3,845,269
Project FL 1634	55.021	AQD17	15,285,968
Project FL 1635	55.021	AQD17	6,615,980
Project FL 1636	55.021	AQD17	2,678,254
Project FL 1637	55.021	AQD17	1,419,769
Project FL 1638	55.021	AQD17	298,866
Project FL 1639	55.021	AQD17	13,474,691
Project FL 1640	55.021	AQD17	1,766,031
Project FL 1641	55.021	AQD17	6,590,004
Project FL 1642	55.021	AQD17	3,036,599
Project FL 1653	55.021	AQD17	1,476,570
Project FL 1740	55.021	AQH97	21,069
Project FL 1741	55.021	AQH97	40,823
Project FL 1742	55.021	AQH97	50,290
Project FL 1743	55.021	AQH97	44,565
Project FL 1744	55.021	AQH97	500,610
Project FL 1745	55.021	AQH97	468,191
Project FL 1746	55.021	AQH97	702,691
Project FL 1747	55.021	AQH97	118,800
Project FL 1748	55.021	AQH97	731,995
Project FL 1760	55.021	AQH97	9,259
Total Expenditures for CSFA 55.021			<u>82,566,300</u>
Total Expenditures of State Financial Assistance			<u>\$ 82,566,300</u>

See accompanying notes.

CSX Corporation

Notes to Schedule of Expenditures of State Financial Assistance

December 28, 2012

1. Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) includes the state grant activity of CSX Corporation (the Company) for the year ended December 28, 2012, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Company. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.

Report of Independent Certified Public Accountants on Compliance for Each Major State Project; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of State Financial Assistance Required by Section 215.97, *Florida Statutes*

The Chief Executive Officer, Chief Financial Officer and Audit Committee
CSX Corporation

Report on Compliance for Each Major State Project

We have audited CSX Corporation's compliance with the types of compliance requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of CSX Corporation's major state projects for the year ended December 28, 2012. CSX Corporation's major state projects programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CSX Corporation's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 215.97, *Florida Statutes*. Those standards and Section 215.97, *Florida Statutes* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about CSX Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of CSX Corporation's compliance.

Opinion on Each Major State Project

In our opinion, CSX Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended December 28, 2012.

Report on Internal Control Over Compliance

Management of CSX Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CSX Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Section 215.97, *Florida Statutes*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CSX Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 215.97, *Florida Statutes*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Finance Assistance Required by
Section 215.97, *Florida Statutes***

We have audited the financial statements of CSX Corporation as of and for the year ended December 28, 2012, and have issued our report thereon dated February 19, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial expenditures is presented for purposes of additional analysis as required by Section 215.97, *Florida Statutes* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditure of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

September 24, 2013

CSX Corporation

Schedule of Findings and Questioned Costs

Year Ended December 28, 2012

Part I – Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unmodified, qualified, adverse or disclaimer):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

State Projects Section

Internal control over major projects:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Type of auditor’s report issued on compliance for major projects (unmodified, qualified, adverse or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 215.97, *Florida Statutes*?

_____ **Yes** X **No**

Identification of major state projects:

CFSA number(s)

Name of state project

55.021

Rail Development Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 2,476,989

CSX Corporation

Schedule of Findings and Questioned Costs (continued)

Part II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Florida single audit.

No findings noted.

Part III – Findings and Questioned Costs – State Financial Assistance Projects

This section identifies the audit findings required to be reported by Section 215.97, *Florida Statutes* (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving state projects that are material to a major project. Where practical, findings should be organized by state agency or pass-through entity.

No findings noted.

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