

Schedule of Expenditures of State Financial Assistance

**First Coast Railroad Inc.**

Year ended December 31, 2012  
with Report of Independent Auditor

First Coast Railroad Inc.  
Schedule of Expenditures of State Financial Assistance  
Year ended December 31, 2012

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## Report of Independent Auditor

The Management  
First Coast Railroad Inc.

I have audited the accompanying schedule of expenditures of state financial assistance (the Schedule) for the Joint Rail Project Agreement (the State Project) of First Coast Railroad Inc. (the Company) for the year ended December 31, 2012. This financial statement is the responsibility of the Company's management. My responsibility is to express an opinion on the Schedule of the State Project based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, statutes, and rules require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the schedule of expenditures of state financial assistance referred to above presents fairly, in all material respects, the expenditures of state financial assistance under the Joint Rail Project Agreement in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* and Chapter 10.650, Rules of the Auditor General, I have also issued my report dated February 22, 2013, on my consideration of the Company's internal control over compliance and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants applicable to this State Project. The purpose of that report is to describe the scope of my testing of internal control over compliance and the results of that testing, and not to provide an opinion on internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and Chapter 10.650, *Rules of the Auditor General*, and should be considered in assessing the results of my audit.

*Fionnuala R. Geoghegan, CPA PLLC*

February 22, 2013

First Coast Railroad Inc.

Schedule of Expenditures of State Financial Assistance

Year ended December 31, 2012

<u>State Agency and Program Title</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures</u>
<i>The Florida Department of Transportation</i>			
Joint Rail Project Agreement	55.021	AQ474	\$ 1,244,479

NOTE 1: This Schedule of Expenditures of State Financial Assistance includes the State Project activity of First Coast Railroad Inc. (the Company) under a certain project of the state of Florida for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*, and Chapter 10.650, *Rules of the Auditor General*. Because this schedule presents only a selected portion of the operations of the Company, it is not intended to and does not present retained earnings, net income, or cash flow of the Company.

NOTE 2: Expenditures reported on this schedule are reported on the accrual basis of accounting. The State financial assistance provided to the Company is being recognized as the related project is completed. The Company allocates 75% of the total qualifying capital expenditures related to the project (\$1,659,305 for the year ended December 31, 2012) as being funded by the State's financial assistance.

First Coast Railroad Inc.  
 Schedule of Findings and Questioned Costs  
 Relating to State Financial Assistance  
 Year ended December 31, 2012

**Section I – Summary of Auditor’s Results**

Financial Statement

Type of auditor’s report issued	Unqualified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statement noted?	No

State Project

Internal control over the State Project:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for State Project?	Unqualified
Any audit findings that are required to be reported in accordance With Chapter 10.650, <i>Rules of the Auditor General</i> ?	No

Identification of major programs:

<u>CSFA Number</u>	<u>Name of State Project</u>
55.021	Joint Rail Project Agreement

Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 100,000
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## **Section II – Financial Statement Findings**

I noted no matters involving internal control over financial reporting and its operation that I considered to be significant deficiencies and/or material weaknesses required to be reported in accordance with *Government Auditing Standards* or Chapter 10.650, *Rules of the Auditor General*.

## **Section III – Other Issues**

No management letter is required because there were no findings required to be reported in the management letter.

No Summary Schedule of Prior Audit Findings is required because there was no prior audit.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

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Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, *Rules of the Auditor General*

The Management  
First Coast Railroad Inc.

**Compliance**

I have audited the compliance of First Coast Railroad Inc. (the Company) with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that are applicable to the Company's Joint Rail Project Agreement (the State Project) for the year ended December 31, 2012. Compliance with the requirements of laws, regulations, contracts and grants applicable to this State Project is the responsibility of the Company's management. My responsibility is to express an opinion on the Company's compliance based on my audit.

I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on the State Project occurred. An audit includes examining on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Company's compliance with those requirements.

In my opinion, the Company complied, in all material respects, with the compliance requirements referred to above that are applicable to the State Project for the year ended December 31, 2012.

## Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the State Project. In planning and performing my audit, I considered the Company's internal control over compliance with the requirements that could have a direct and material effect on the State Project to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over compliance.

A *deficiency* in internal control over compliance 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 noncompliance with a type of compliance requirement of the 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 the State Project will not be prevented or detected and corrected on a timely basis.

My 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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and others within the Company and the State awarding agency of the State Project, and is not intended to be and should not be used by anyone other than these specified parties.

*Sionnuata B. McGregor, CPA PLLC*

February 22, 2013