



**GEORGIA SOUTHERN AND FLORIDA RAILWAY COMPANY**

**Schedule of State Financial Assistance**

**December 31, 2016**

**(With Independent Auditors' Report Thereon)**

**GEORGIA SOUTHERN AND FLORIDA RAILWAY COMPANY**

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KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

## **Independent Auditors' Report**

The Board of Directors  
Georgia Southern and Florida Railway Company:

### **Report on the Schedule Expenditures of State Financial Assistance**

We have audited the accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) of Georgia Southern and Florida Railway Company, for the year ended December 31, 2016, and the related notes to the Schedule.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the Schedule in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to the Schedule contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Schedule referred to above present fairly, in all material respects, the expenditures of Georgia Southern and Florida Railway Company as of December 31, 2016, in accordance with U.S. generally accepted accounting principles.



### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our considerations of Georgia Southern and Florida Railway Company's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Georgia Southern and Florida Railway Company's internal control over financial reporting and compliance.

**KPMG LLP**

Norfolk, Virginia  
September 28, 2018



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of State Financial Assistance Performed in Accordance With Government Auditing Standards**

The Board of Directors  
Georgia Southern and Florida Railway Company:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Georgia Southern and Florida Railway Company's accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) for the year ended December 31, 2016, and the related notes to the Schedule, and have issued our report thereon dated September 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the Schedule, we considered Georgia Southern and Florida Railway Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of Georgia Southern and Florida Railway Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Georgia Southern and Florida Railway Company's internal control.

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. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this Section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matter**

As part of obtaining reasonable assurance about whether Georgia Southern and Florida Railway Company's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Georgia Southern and Florida Railway Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Georgia Southern and Florida Railway Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Norfolk, Virginia  
September 28, 2018



KPMG LLP  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

**Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Joint Rail Participation Agreement; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance in Accordance with the Program-Specific Audit Requirements of the Joint Railway Participation Agreement and Chapter 10.650 Rules of the Auditor General of the State of Florida**

The Board of Directors  
Georgia Southern and Florida Railway Company:

**Report on Compliance for the Joint Rail Participation Agreement**

We have audited Norfolk Southern Corporation's compliance with the types of compliance requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of Georgia Southern and Florida Railway Company's Joint Rail Participation Agreement for the year ended December 31, 2016.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its Joint Rail Participation Agreement (ARX01).

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Georgia Southern and Florida Railway Company's Joint Rail Participation Agreement 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida (Chapter 10.650)*. Those standards and Chapter 10.650, 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 the Joint Rail Participation Agreement occurred. An audit includes examining, on a test basis, evidence about Georgia Southern and Florida Railway Company'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 the Joint Rail Participation Agreement. However, our audit does not provide a legal determination of Georgia Southern and Florida Railway Company's compliance.

***Opinion***

In our opinion, Georgia Southern and Florida Railway Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Joint Rail Participation Agreement for the year ended December 31, 2016.



### **Report on Internal Control Over Compliance**

Management of Georgia Southern and Florida Railway Company 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 Georgia Southern and Florida Railway Company's internal control over compliance with the types of requirements that could have a direct and material effect on the Joint Rail Participation Agreement to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Joint Rail Participation Agreement and to test and report on internal control over compliance in accordance with Chapter 10.650, 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 Georgia Southern and Florida Railway Company'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 requirements of the Joint Rail Participation Agreement on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 Joint Rail Participation Agreement 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 the Joint Rail Participation Agreement 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 Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

**KPMG LLP**

Norfolk, Virginia  
September 28, 2018



**GEORGIA SOUTHERN AND FLORIDA RAILWAY COMPANY**

**Schedule of Expenditures of State Financial Assistance**

Year ended December 31, 2016

<u>State Agency and Program Title</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>Expenditures</u>	<u>Transfer to subrecipients</u>
Department of Transportation: Rail Programs: Passenger Development, Capacity or Crossing	55.021	ARX01	\$ 4,328,426	—

See accompanying notes to the Schedule of Expenditures of State Financial Assistance.

**GEORGIA SOUTHERN AND FLORIDA RAILWAY COMPANY**  
Notes to Schedule of Expenditures of the State Financial Assistance  
Year ended December 31, 2016

**(1) General**

The accompanying schedule of expenditures of the State Financial Assistance (the Schedule) includes the state award activity of Georgia Southern and Florida Railway Company's under the Joint Railway Participation Agreement with the State of Florida for the year ended December 31, 2016.

**(2) Basis of Presentation**

The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only the expenditures associated with the Joint Railway Participation Agreement, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Georgia Southern and Florida Railway Company.

**(3) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

**(4) Contingencies**

The grant revenue amounts 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 grant agency would become a liability of Georgia Southern and Florida Railway Company. In the opinion of management, all grant expenditures are in compliance with the terms of the Joint Railway Participant Agreement and applicable state laws and regulations.

**GEORGIA SOUTHERN AND FLORIDA RAILWAY COMPANY**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2016

**(1) Summary of Auditors' Results**

- a. Type of report issued on whether the Schedule of Expenditures of State Financial Assistance were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the Schedule of Expenditures of State Financial Assistance:
  - Material weaknesses: **No**
  - Significant deficiencies: **None Reported**
- c. Noncompliance material to the Schedule of Expenditures of State Financial Assistance: **No**
- d. Internal control deficiencies over state award disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for state award: **Unmodified**
- f. Audit findings that are required to be reported in accordance with state award: **No**
- g. Project-specific agreement:
  - Rail Passenger Service Development, Capacity or Crossing – 55.021

**(2) Findings and Questioned Costs Relating to State Award**

None

**(3) Other Items**

There were no prior year findings.

Issuance of a management letter was not required.