

CSX CORP
Form 11-K
June 22, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2015

Commission file number 1-8022

CSX CORPORATION 401(K) PLAN

CSX CORPORATION
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IRS Employer Identification Number 62-1051971
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Jacksonville, Florida 32202
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CSX CORPORATION 401(K) PLAN

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

AS OF DECEMBER 31, 2015 AND 2014
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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CSX CORPORATION 401(K) PLAN

Report of Independent Registered Public Accounting Firm

The Plan Administrator of the CSX Corporation 401(k) Plan
and the Audit Committee of CSX Corporation

We have audited the accompanying statements of net assets available for benefits of the CSX Corporation 401(k) Plan as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the CSX Corporation 401(k) Plan at December 31, 2015 and 2014, and the changes in its net assets available for benefits for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the CSX Corporation 401(k) Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP
Certified Public Accountants

Jacksonville, Florida
June 22, 2016

CSX CORPORATION 401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

(Dollars in thousands)

	December 31	
	2015	2014
ASSETS		
Investments		
Investment in Master Trust (Note 3)	\$ 1,035,792	\$ 1,213,577
Receivables		
Member contributions	2,771	2,965
Employer contributions	1,043	1,107
Notes receivable from participants	19,429	19,915
Total Assets	1,059,035	1,237,564
LIABILITIES		
Accrued expenses	317	269
Total Liabilities	317	269
Net Assets Available for Benefits	\$ 1,058,718	\$ 1,237,295

See accompanying Notes to Financial Statements

CSX CORPORATION 401(K) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2015

(Dollars in thousands)

Additions

Member contributions	\$34,041
Employer contributions	12,916
Transfers to the Plan	2,899
Interest on notes receivable from participants	830
Total Additions	50,686

Deductions

Net loss from investment in Master Trust (Note 3)	\$80,270
Distributions to members	142,051
Transfers from the Plan	6,217
Fees and expenses	725
Total Deductions	229,263

Net Decrease (178,577)

Net Assets Available for Benefits at Beginning of Year 1,237,295

Net Assets Available for Benefits at End of Year \$1,058,718

See accompanying Notes to Financial Statements

CSX CORPORATION 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Description of the Plan

The following description of the CSX Corporation 401(k) Plan (“the Plan”) provides only general information. Members should refer to the Summary Plan Description and the Plan Document for a more complete description of the Plan’s provisions.

General: The Plan is a defined contribution plan covering all salaried employees and certain non-union hourly employees of CSX Corporation (“CSX” or “Plan Sponsor”) and adopting affiliated companies (collectively, “the Company”). A portion of the Plan has been established as an Employee Stock Ownership Plan (“ESOP”) designed to comply with Section 4975(e)(7) of the Internal Revenue Code of 1986 (“the Code”), as amended. The Plan also contains a cash or deferred arrangement described in Section 401(k) of the Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. The ESOP component is designed to invest primarily in CSX common stock and may invest 100% in these securities.

Contributions: Members, as defined in the Plan Document, may contribute from 1% to 50% (in 1% multiples) of eligible compensation, as defined by the Plan Document, on a pre-tax or Roth basis up to the current Code limit. Members who are age 50 or older by the end of the applicable calendar year are eligible to make catch-up contributions in accordance with the Code. Subject to certain limitations, members may rollover distributions from another qualified plan or an individual retirement account (“Rollover Account”). Members may change contribution rates daily.

The Company contributes amounts equal to 100% of the first 1% of a member’s eligible contributions to the Plan as matching contributions. For the next 2% up to 6% of a member’s eligible contributions to the Plan, the Company contributes amounts equal to 50% as matching contributions. Therefore, the total potential employer matching contribution is 3.5%. Additional amounts may be contributed at the option of the Company’s Board of Directors or under the delegation of authority granted by the Board to the appropriate Company officers.

Diversification: Members may generally direct the investment of contributions on a daily basis among a choice of investment options offered under the Plan.

Reallocations: CSX does not permit members to repurchase shares of a previously sold fund through investment fund activity for 30 calendar days after the transaction. Members may, however, transfer funds to the Stable Value Fund investment option at any time without restriction.

Member Accounts: Each member’s account is credited with the member’s contributions and allocations of (a) Company contributions and (b) Plan earnings and is charged with the member’s disbursements and an allocation of administrative expenses. If made, profit sharing contributions are in proportion to each member’s base compensation paid by the Company. Plan earnings are allocated on a proportionate share of the increase or decrease in the fair market value of each fund in which the member’s accounts are invested on each valuation date. Record-keeping expense allocations are charged equally to each member’s account. All other administrative expense allocations are made on the basis of assets in the individual’s account.

Plan to Plan Transfers: When members change employment status between contract positions and management positions within the Plan Sponsor, the member can no longer participate in the former plan. Accordingly, automatic

transfers are initiated on a member's behalf if their account balance is not voluntarily transferred from the ineligible plan to the eligible plan within the Master Savings Trust.

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CSX CORPORATION 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Description of the Plan, continued

Vesting: Members are 100% vested in their accounts.

Loans: Certain members may borrow from their accounts an amount equal to the lesser of fifty thousand dollars in the aggregate (reduced by the highest outstanding balance during the one year period preceding the loan) or 50% of their account balance (reduced by the outstanding balance of all Plan loans at the time of the loan). Loan terms range from one to five years unless the loan is to be used in conjunction with the purchase of a primary residence, in which case the term is 25 years. Loans are secured by the balance in the member's account. The loan interest rates are calculated using the prime rate in the Wall Street Journal as of the first business day of the current month in which the loan originates plus 1%. The interest rate in effect when a member applies for the loan will remain in effect for the term of the loan. It will not change even though the interest rate applicable to new loans may change. Principal and interest are paid ratably through payroll deductions.

Dividends: Dividends paid on shares of CSX common stock held in a member's account are reinvested in shares of CSX common stock. A member or spousal beneficiary may elect to have dividends paid to them in cash. Any change in an election will apply only to ex-dividend dates occurring after the date such election is received. A member who does not make a timely election will have the dividends paid to his or her account and reinvested in shares of CSX common stock.

Payment of Benefits: Upon termination of service, a member may receive a lump sum amount equal to the value of his or her account. Upon disability or retirement, a member may elect to receive a lump sum or monthly installments over a period not to exceed the lesser of 240 months or the life expectancy of the last survivor of the member and his or her beneficiary. Surviving spouses of retired or disabled members may also elect monthly installments. A terminated member's account balance of five thousand dollars or less (excluding the Rollover Account) as of his or her date of termination or the last day of any Plan year shall be rolled over into an individual retirement account at Millennium Trust Company unless the member makes an alternate distribution request.

Administrative Expenses: The administrative expenses of the Plan are paid by the Company or from Plan assets as the Plan Sponsor directs. All of the administrative expenses of the Plan during 2015 were paid from Plan assets.

Plan Termination: Although it has not expressed any intent to do so, the Company has the right to discontinue its contributions to the Plan at any time and to terminate the Plan subject to the provisions of ERISA. If the Plan were to terminate, members would remain 100% vested in their accounts.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation: The financial statements have been prepared under the accrual method of accounting in accordance with U.S. generally accepted accounting principles. All dollar amounts are reported in thousands.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements, accompanying notes and supplemental schedule. Actual results could differ from those estimates.

CSX CORPORATION 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 2. Summary of Significant Accounting Policies, continued

Investments: The CSX Corporation Master Retirement Savings Plan Trust ("Master Trust") holds all investments of this Plan and the CSX Corporation Capital Builder Plan, a similar plan for certain union employees. For further details, see Note 3, Investment in Master Trust.

Notes Receivable from Participants: Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2015 or 2014. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

New Accounting Pronouncements: In May 2015 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This update eliminates the requirement to categorize investments within the fair value hierarchy if their fair value is measured using the net asset value per share practical expedient. This update requires that investments measured using the net asset value per share be disclosed as a reconciling item between the statement of net assets available for benefits and the fair value hierarchy disclosure. This update is effective for Plan year 2017, with retrospective application to all periods presented. This update permits early adoption, which the Plan elected in 2015. Since this update only affects fair value measurement disclosures, adoption did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In July 2015, the FASB issued ASU 2015-12 "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962) and Health and Welfare Benefit Plans (Topic 965): I. Fully Benefit-Responsive Investment Contracts; II. Plan Investment Disclosures; III. Measurement Date Practical Expedient." Part I of the update eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II of the update requires benefit plans to disaggregate their investments measured using fair value by general type, among other changes. Parts III of this update is not applicable to the Plan. This update is effective for Plan year 2016, with retrospective application to all periods presented. This update permits early adoption, which the Plan elected in 2015. Since this update only affects fair value measurement disclosures, adoption did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

NOTE 3. Investment in Master Trust

All investments of the Master Trust are held by The Northern Trust Company ("Trustee"), the Trustee of the Master Trust. Each participating plan's interest in the Master Trust is based on account balances of the participants and their elected investment fund options. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

CSX CORPORATION 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3. Investment in Master Trust, continued

Summarized financial information of the Master Trust is presented below:

(Dollars in Thousands)	December 31, 2015	Plan's Interest ^(a)	December 31, 2014	Plan's Interest ^(a)
Investments, at fair value:				
CSX Stock Fund				
CSX Common Stock	\$ 652,956		\$ 969,632	
Northern Trust Collective Short-term Investment Fund	4,236		4,864	
Total CSX Stock Fund	657,192	38%	974,496	39%
Mutual Funds				
Vanguard Institutional Index Instl Plus	213,530	56%	223,311	57%
Vanguard Wellington Fund	155,838	58%	168,516	60%
Total Mutual Funds	369,368		391,827	
Common Collective Trusts				
T. Rowe Price Retirement 2005 Active Trust	262	46%	509	56%
T. Rowe Price Retirement 2010 Active Trust	1,957	77%	3,744	86%
T. Rowe Price Retirement 2015 Active Trust	6,444	60%	9,333	67%
T. Rowe Price Retirement 2020 Active Trust	15,829	58%	&#	