Pioneer Railcorp and Subsidiaries

Consolidated Balance Sheet
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	$ 50,267	$ 50,192
Trade receivables, less allowance for doubtful accounts of $119,733 and $85,021 respectively	5,043,477	2,834,981
Inventories	438,563	446,386
Prepaids and other assets	524,886	587,592
Deferred income tax	87,641	112,000
Prepayment of income tax	201,698	372,929
Total current assets	**6,346,532**	**4,404,080**
Property and equipment, net	50,138,313	46,476,586
Intangible assets	685,223	769,247
Goodwill	559,255	559,255
	$ 57,729,323	**$ 52,209,168**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 439,623	$ 252,452
Current maturities of salary continuation liability and option obligation	411,886	390,837
Note payable	-	-
Accounts payable	2,956,220	1,985,009
Accrued expenses	2,617,607	2,735,840
Deferred income taxes	-	-
Total current liabilities	**6,425,336**	**5,364,138**
Long-Term Liabilities:		
Line-of-credit	12,836,894	13,113,620
Long-term debt	1,251,985	424,289
Deferred revenue	6,542,989	5,348,279
Salary continuation liability, net of current maturities	3,148,838	3,361,727
Option obligation, net of current maturities	441,073	654,957
Deferred income taxes	8,926,000	7,826,000
Interest rate swap	184,255	131,880
Total long-term liabilities	**33,332,034**	**30,860,752**
Commitments and Contingencies		
Equity:		
Pioneer Railcorp stockholders' equity		
Common stock, Class A (voting), par value $0.001 per share, authorized 20,000,000 shares, issued 4,181,843 shares in 2014 and 2013	4,181	4,181
In tresury 331,450 shares 2014 and 2013	(331)	(331)
Outstanding 3,850,393 shares 2014 and 2013	3,850	3,850
Common stock, Class B (nonvoting), no par value, authorized 20,000,000 shares	-	-
Additional paid-in captial	448,847	448,847
Subsidiary's option to purchase Pioneer Class A common stock	(272,133)	(310,819)
Subsidiary's investment in Pioneer Class A common stock (shares 2014 1,708,640 and 2013 1,683,640)	(9,695,803)	(9,533,117)
Retained Earnings	27,040,084	24,857,365
Accumulated other comprehensive loss	(135,020)	(100,976)
Total Pioneer Railcorp stockholders' equity	17,389,825	15,365,150
Noncontrolling interest	582,128	619,128
Total equity	**17,971,953**	**15,984,278**
	$ 57,729,323	**$ 52,209,168**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income
Six Months Ended June 30, 2015 and 2014

	2015	2014
Railway operating revenue	$ 11,655,908	$ 10,162,350
Operating expenses:		
Maintenance of way and structures	1,047,031	1,000,332
Maintenance of equipment	936,349	933,721
Transportation	2,979,577	2,832,586
General and administrative	3,996,533	3,717,297
Depreciation and amortization	1,751,305	1,577,746
Gain on sale of property and equipment	(23,000)	(532,585)
	10,687,795	9,529,097
Operating income	**968,113**	**633,253**
Other income (expenses):		
Lease income	483,443	395,544
Interest expense	(373,482)	(323,565)
Sale of income tax credits	-	-
Other, net	8,308	28,808
	118,269	100,787
Income before provision (benefit) for income taxes	**1,086,382**	**734,040**
Provision (benefit) for income taxes	-	-
Net income	**1,086,382**	**734,040**
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	(30,900)	(32,775)
Net income attributable to Pioneer Railcorp	**1,055,482**	**701,265**
Other comprehensive income (loss), net of tax expense (benefit):		
Adjustment applicable to change in fair value of interest swap contract, net of deferred taxes of ($49,235) and ($30,904) respectively	(135,020)	(100,976)
Comprehensive income	**$ 920,462**	**$ 600,289**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Six Months Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Net income	$ 1,086,382	$ 734,040
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,751,305	1,589,993
Gain on sale of property and equipment	(23,000)	(532,585)
Deferred taxes	-	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	(1,249,555)	610,586
Prepayment of income taxes	(84,085)	258,306
Inventories	(4,639)	(4,802)
Prepaid expenses and other assets	342,322	99,079
Increase (decrease) in liabilities:		
Accounts payable	620,087	(847,990)
Accrued expenses	(71,588)	6,353
Deferred revenue	404,892	(172,118)
Net cash provided by operating activities	**2,772,121**	**1,740,862**
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	23,000	588,883
Purchase of property and equipment	(3,209,870)	(3,486,402)
Net cash used in investing activities	**(3,186,870)**	**(2,897,519)**
Cash Flows from Financing Activities:		
Proceeds from short-term notes payable	-	-
Proceeds from long-term debt	15,499,313	14,618,415
Principal payments on short-term notes payable	(679,541)	(389,791)
Principal payments on long-term debt	(14,013,435)	(12,725,885)
Purchase of subsidiaries shares from noncontrolling interest	(30,000)	-
Preferred stock dividend payments to noncontrolling interest	(30,900)	(32,775)
Payments under salary continuation agreement	(100,889)	(93,623)
Payments under agreement to purchase common stock	(105,764)	(98,145)
Purchase of common stock by subsidiary	(124,000)	(121,501)
Net cash used in financing activities	**414,783**	**1,156,695**
Cash:		
Beginning of period	50,234	50,155
End of period	$ 50,267	$ 50,192
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of 2015 ($49,235) and 2014 ($30,904)	$ (34,044)	$ (69,236)