Pioneer Railcorp and Subsidiaries

Consolidated Balance Sheet
September 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	$ 50,286	$ 50,211
Trade receivables, less allowance for doubtful accounts of $126,740 and $129,213 respectively	4,786,089	2,805,770
Inventories	438,355	451,164
Prepaids and other assets	1,346,092	1,330,963
Deferred income tax	127,926	112,000
Prepayment of income tax	332,787	387,665
Total current assets	**7,081,535**	**5,137,773**
Property and equipment, net	51,176,143	47,027,131
Intangible assets	664,217	748,241
Goodwill	559,255	559,255
	$ 59,481,150	**$ 53,472,400**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 272,592	$ 252,452
Current maturities of salary continuation liability and option obligation	411,886	390,837
Note payable	1,126,616	1,017,390
Accounts payable	2,577,684	2,340,095
Accrued expenses	3,220,181	2,647,660
Deferred income taxes	-	-
Total current liabilities	**7,608,959**	**6,648,434**
Long-Term Liabilities:		
Line-of-credit	13,385,029	13,257,928
Long-term debt	1,149,365	315,323
Deferred revenue	6,459,894	5,344,867
Salary continuation liability, net of current maturities	3,096,961	3,313,588
Option obligation, net of current maturities	386,689	604,491
Deferred income taxes	8,926,000	7,826,000
Interest rate swap	299,354	102,551
Total long-term liabilities	**33,703,292**	**30,764,748**
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 2015 and 2014	4,181	4,181
In tresury 331,450 shares 2015 and 2014	(331)	(331)
Outstanding 3,850,393 shares 2015 and 2014	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 2015 1,733,640 and 2014 1,708,640)	(9,695,803)	(9,533,117)
Retained Earnings	27,321,844	24,919,241
Accumulated other comprehensive loss	(209,834)	(81,912)
Total Pioneer Railcorp stockholders' equity	17,596,771	15,446,090
Noncontrolling interest	572,128	613,128
Total equity	**18,168,899**	**16,059,218**
	$ 59,481,150	**$ 53,472,400**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income
Nine Months Ended September 30, 2015 and 2014

	2015	2014
Railway operating revenue	$ 17,901,477	$ 15,375,251
Operating expenses:		
Maintenance of way and structures	1,685,102	1,557,032
Maintenance of equipment	1,374,142	1,277,953
Transportation	4,575,325	4,319,969
General and administrative	6,286,587	5,581,837
Depreciation and amortization	2,626,756	2,394,828
Gain on sale of property and equipment	(23,000)	(564,661)
	16,524,912	14,566,958
Operating income	**1,376,565**	**808,293**
Other income (expenses):		
Lease income	532,811	438,901
Interest expense	(556,559)	(505,506)
Sale of income tax credits	-	-
Other, net	15,325	54,228
	(8,423)	(12,377)
Income before provision (benefit) for income taxes	**1,368,142**	**795,916**
Provision (benefit) for income taxes	-	-
Net income	**1,368,142**	**795,916**
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	(30,900)	(32,775)
Net income attributable to Pioneer Railcorp	**1,337,242**	**763,141**
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 ($63,927) and ($8,168) respectively	(118,720)	(32,028)
Comprehensive income	**$ 1,218,522**	**$ 731,113**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Nine Months Ended September 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Net income	$ 1,368,142	$ 795,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,626,756	2,394,828
Gain on sale of property and equipment	(23,000)	(563,360)
Deferred taxes	-	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	(992,167)	639,797
Prepayment of income taxes	(215,174)	243,570
Inventories	(4,431)	(9,580)
Prepaid expenses and other assets	(480,765)	(657,370)
Increase (decrease) in liabilities:		
Accounts payable	241,551	(492,904)
Accrued expenses	530,986	(81,827)
Deferred revenue	321,797	(175,530)
Net cash provided by operating activities	**3,373,695**	**2,093,540**
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	23,000	626,148
Purchase of property and equipment	(5,100,265)	(4,842,829)
Investment in intangible assets	-	18,376
Net cash used in investing activities	**(5,077,265)**	**(4,198,305)**
Cash Flows from Financing Activities:		
Proceeds from short-term notes payable	447,075	-
Proceeds from long-term debt	23,587,907	21,375,987
Principal payments on short-term notes payable	-	627,599
Principal payments on long-term debt	(21,823,545)	(19,448,115)
Purchase of subsidiaries shares from noncontrolling interest	(40,000)	(6,000)
Preferred stock dividend payments to noncontrolling interest	(30,900)	(32,775)
Payments under salary continuation agreement	(152,766)	(141,762)
Payments under agreement to purchase common stock	(160,148)	(148,611)
Purchase of common stock by subsidiary	(124,000)	(121,501)
Net cash used in financing activities	**1,703,622**	**2,104,822**
Cash:		
Beginning of period	50,234	50,155
End of period	$ 50,286	$ 50,211
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of 2015 ($63,927) and 2014 ($8,168)	$ (118,720)	$ (32,028)