Pioneer Railcorp and Subsidiaries

Consolidated Balance Sheet
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash	$ 50,350	$ 50,267
Trade receivables, less allowance for doubtful accounts of $176,351 and $119,732 respectively	3,303,059	5,043,477
Inventories	459,294	438,563
Prepaids and other assets	797,565	524,886
Deferred income tax	224,234	87,641
Prepayment of income tax	457,025	201,698
Total current assets	**5,291,527**	**6,346,532**
Property and equipment, net	53,625,023	50,138,313
Intangible assets	601,198	685,223
Goodwill	559,255	559,255
	$ 60,077,003	**$ 57,729,323**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 290,489	$ 439,623
Current maturities of salary continuation liability and option obligation	337,730	411,886
Note payable	-	-
Accounts payable	1,409,983	2,956,220
Accrued expenses	3,139,119	2,617,607
Deferred income taxes	-	-
Total current liabilities	**5,177,321**	**6,425,336**
Long-Term Liabilities:		
Line-of-credit	14,195,494	12,836,894
Long-term debt	1,140,767	1,251,985
Deferred revenue	6,759,815	6,542,989
Salary continuation liability, net of current maturities	2,919,421	3,148,838
Option obligation, net of current maturities	373,704	441,073
Deferred income taxes	10,105,000	8,926,000
Interest rate swap	395,511	184,255
Total long-term liabilities	**35,889,712**	**33,332,034**
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 2016 and 2015	4,181	4,181
In tresury 331,450 shares 2016 and 2015	(331)	(331)
Outstanding 3,850,393 shares 2016 and 2015	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	(156,077)	(272,133)
Subsidiary's investment in Pioneer Class A common stock (shares 2016 1,808,640 and 2015 1,733,640)	(10,183,859)	(9,695,803)
Retained Earnings	28,603,417	27,040,084
Accumulated other comprehensive loss	(272,336)	(135,020)
Total Pioneer Railcorp stockholders' equity	18,443,842	17,389,825
Noncontrolling interest	566,128	582,128
Total equity	**19,009,970**	**17,971,953**
	$ 60,077,003	**$ 57,729,323**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income
Six Months Ended June 30, 2016 and 2015

	2016	2015
Railway operating revenue	$ 11,402,687	$ 11,655,908
Operating expenses:		
Maintenance of way and structures	1,078,262	1,047,031
Maintenance of equipment	876,114	936,349
Transportation	2,411,843	2,979,577
General and administrative	4,381,760	3,996,533
Depreciation and amortization	1,890,829	1,751,305
Gain on sale of property and equipment	(39,930)	(23,000)
	10,598,878	10,687,795
Operating income	**803,809**	**968,113**
Other income (expenses):		
Lease income	446,556	483,443
Interest expense	(348,830)	(373,482)
Sale of income tax credits	-	-
Other, net	(39,163)	8,308
	58,563	118,269
Income before provision (benefit) for income taxes	**862,372**	**1,086,382**
Provision (benefit) for income taxes	-	-
Net income	**862,372**	**1,086,382**
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	(30,045)	(30,900)
Net income attributable to Pioneer Railcorp	**832,327**	**1,055,482**
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 ($123,175) and ($49,235) respectively	(137,316)	(34,044)
Comprehensive income	**$ 695,011**	**$ 1,021,438**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Six Months Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Net income	$ 862,372	$ 1,086,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,890,829	1,751,305
Gain on sale of property and equipment	(39,930)	(23,000)
Deferred taxes	-	-
Provision for doubtful accounts	23,249	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	976,882	(1,249,555)
Prepayment of income taxes	66,540	(84,085)
Inventories	(444)	(4,639)
Prepaid expenses and other assets	222,587	342,322
Increase (decrease) in liabilities:		
Accounts payable	(602,745)	620,087
Accrued expenses	(686,809)	(71,588)
Deferred revenue	169,731	404,892
Net cash provided by operating activities	**2,882,262**	**2,772,121**
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	49,931	23,000
Purchase of property and equipment	(3,636,366)	(3,209,870)
Investment in intangible assets	-	-
Net cash used in investing activities	**(3,586,435)**	**(3,186,870)**
Cash Flows from Financing Activities:		
Proceeds from line-of-credit	15,751,028	15,306,912
Proceeds from short-term notes payable	-	-
Proceeds from long-term debt	17,054	192,401
Principal payments on line-of-credit	(13,986,188)	(14,994,525)
Principal payments on short-term notes payable	(753,072)	(679,543)
Principal payments on long-term debt	1,649	981,090
Common stock dividend payments	-	-
Purchase of subsidiaries shares from noncontrolling interest	(4,000)	(30,000)
Preferred stock dividend payments to noncontrolling interest	(30,045)	(30,900)
Payments under salary continuation agreement	(108,721)	(100,889)
Payments under agreement to purchase common stock	(56,988)	(105,764)
Purchase of common stock by subsidiary	(126,501)	(124,000)
Net cash used in financing activities	**704,216**	**414,782**
Cash:		
Beginning of period	50,307	50,234
End of period	$ 50,350	$ 50,267
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of 2016 ($123,175) and 2015 ($49,235)	$ (53,407)	$ (33,705)