

Pioneer Railcorp and Subsidiaries

**Consolidated Balance Sheet
March 31, 2017 and 2016**

	2017	2016
ASSETS		
Current Assets:		
Cash	\$ 50,439	\$ 50,325
Trade receivables, less allowance for doubtful accounts of \$193,959 and \$153,102 respectively	2,844,878	3,158,220
Inventories	399,217	461,406
Prepays and other assets	657,978	637,990
Deferred income tax	31,556	209,715
Prepayment of income tax	159,681	441,525
Total current assets	4,143,749	4,959,181
Property and equipment, net	55,763,557	52,703,406
Intangible assets	538,180	622,204
Goodwill	559,255	559,255
	\$ 61,004,741	\$ 58,844,046
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 400,199	\$ 290,050
Current maturities of salary continuation liability and option obligation	363,949	337,730
Note payable	359,481	377,538
Accounts payable	1,112,770	1,738,914
Accrued expenses	2,808,821	3,003,879
Total current liabilities	5,045,220	5,748,111
Long-Term Liabilities:		
Line-of-credit	12,420,184	13,026,555
Long-term debt	1,131,510	1,197,960
Deferred revenue	7,168,460	6,561,095
Salary continuation liability, net of current maturities	2,731,322	2,974,289
Option obligation, net of current maturities	275,110	402,464
Deferred income taxes	11,276,205	10,105,000
Interest rate swap	136,805	354,028
Total long-term liabilities	35,139,596	34,621,391
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 2017 and 2016	4,181	4,181
In treasury 331,450 shares 2017 and 2016	(331)	(331)
Outstanding 3,850,393 shares 2017 and 2016	3,850	3,850
Common stock, Class B (nonvoting), no par value, authorized 20,000,000 shares	-	-
Additional paid-in capital	448,847	448,847
Subsidiary's option to purchase Pioneer Class A common stock	(117,391)	(156,077)
Subsidiary's investment in Pioneer Class A common stock (shares 2017 1,833,640 and 2016 1,808,640)	(10,351,545)	(10,183,859)
Retained Earnings	30,405,285	28,039,027
Accumulated other comprehensive loss	(105,249)	(245,372)
Total Pioneer Railcorp stockholders' equity	20,283,797	17,906,416
Noncontrolling interest	536,128	568,128
Total equity	20,819,925	18,474,544
	\$ 61,004,741	\$ 58,844,046

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income Three Months Ended March 31, 2017 and 2016

	2017	2016
Railway operating revenue	\$ 5,675,754	\$ 5,327,331
Operating expenses:		
Wages and benefits	2,064,129	2,036,491
Fuel and travel	300,000	167,361
Transportation, car hire and joint facility expenses	329,205	429,831
Liability, property and vehicle insurance	317,162	327,555
Health and dental costs	302,459	284,593
Maintenance of way, materials and purchased services	203,702	160,738
Professional fees	193,845	176,273
Purchased switching services	126,779	109,185
Equipment maintenance	176,300	127,906
Real estate taxes	76,794	95,994
Licenses and fees	89,072	116,369
Other expenses	332,726	340,786
Depreciation and amortization	999,493	943,549
Gain on sale of property and equipment	(50,489)	(40,779)
	<u>5,461,177</u>	<u>5,275,852</u>
Operating income	214,577	51,479
Other income (expenses):		
Lease income	462,692	376,469
Interest expense	(182,412)	(168,075)
Sale of income tax credits	-	-
Other, net	37,118	8,064
	<u>317,398</u>	<u>216,458</u>
Income before provision (benefit) for income taxes	531,975	267,937
Provision (benefit) for income taxes	-	-
Net income	531,975	267,937
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	-	-
Net income attributable to Pioneer Railcorp	531,975	267,937
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 \$77,100 and (\$74,123) respectively	140,123	(137,655)
Comprehensive income	\$ 672,098	\$ 130,282

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Three Months Ended March 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 531,975	\$ 267,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	999,493	943,549
Gain on sale of property and equipment	(6,522)	-
Gain on sale of subsidiary stock	-	-
Deferred taxes	-	-
Provision for doubtful accounts	55,092	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	788,288	1,144,970
Prepayment of income taxes	535	82,040
Inventories	(1,582)	(2,556)
Prepaid expenses and other assets	289,561	384,077
Increase (decrease) in liabilities:		
Accounts payable	72,474	(273,814)
Accrued expenses	(63,812)	(822,049)
Deferred revenue	(120,039)	(28,989)
Net cash provided by operating activities	2,545,463	1,695,165
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	6,522	-
Purchase of property and equipment	(1,303,008)	(1,780,389)
Investment in intangible assets	-	-
Net cash used in investing activities	(1,296,486)	(1,780,389)
Cash Flows from Financing Activities:		
Proceeds from line-of-credit	6,413,883	8,084,944
Proceeds from short-term notes payable	-	-
Proceeds from long-term debt	1,844	16,615
Principal payments on line-of-credit	(6,884,395)	(7,489,043)
Principal payments on short-term notes payable	(357,132)	(375,534)
Principal payments on long-term debt	(87,686)	58,842
Common stock dividend payments	-	-
Redemption of Heartland Class B member units	(100,000)	-
Purchase of subsidiaries shares from noncontrolling interest	(18,000)	(2,000)
Preferred stock dividend payments to noncontrolling interest	-	-
Payments under salary continuation agreement	(58,033)	(53,853)
Payments under agreement to purchase common stock	(30,419)	(28,228)
Purchase of common stock by subsidiary	(129,001)	(126,501)
Net cash used in financing activities	(1,248,939)	85,242
Cash:		
Beginning of period	50,401	50,307
End of period	<u>\$ 50,439</u>	<u>\$ 50,325</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of \$77,100 and (\$74,123) respectively	\$ 140,123	\$ (137,655)