Pioneer Railcorp and Subsidiaries

Consolidated Balance Sheet
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash	$ 50,497	$ 50,350
Trade receivables, less allowance for doubtful accounts of $193,959 and $153,102 respectively	3,178,885	3,303,059
Inventories	403,726	459,294
Prepaids and other assets	763,416	797,565
Deferred income tax	32,738	224,234
Prepayment of income tax	176,881	457,025
Total current assets	**4,606,143**	**5,291,527**
Property and equipment, net	56,647,026	53,625,023
Intangible assets	517,174	601,198
Goodwill	559,255	559,255
	$ 62,329,598	**$ 60,077,003**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 402,054	$ 290,489
Current maturities of salary continuation liability and option obligation	363,949	337,730
Note payable	-	-
Accounts payable	1,416,544	1,409,983
Accrued expenses	2,883,259	3,139,119
Deferred income taxes	-	-
Total current liabilities	**5,065,806**	**5,177,321**
Long-Term Liabilities:		
Line-of-credit	13,558,290	14,195,494
Long-term debt	1,027,344	1,140,767
Deferred revenue	7,234,086	6,759,815
Salary continuation liability, net of current maturities	2,672,069	2,919,421
Option obligation, net of current maturities	244,117	373,704
Deferred income taxes	11,276,205	10,105,000
Interest rate swap	139,760	395,511
Total long-term liabilities	**36,151,871**	**35,889,712**
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 captial	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	30,699,054	28,603,417
Accumulated other comprehensive loss	(107,022)	(272,336)
Total Pioneer Railcorp stockholders' equity	20,575,793	18,443,842
Noncontrolling interest	536,128	566,128
Total equity	**21,111,921**	**19,009,970**
	$ 62,329,598	**$ 60,077,003**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income
Six Months Ended June 30, 2017 and 2016

	2017	2016
Railway operating revenue	$ 11,461,310	$ 11,402,687
Operating expenses:		
Wages and benefits	4,069,085	4,063,279
Fuel and travel	570,641	447,990
Transportation, car hire and joint facility expenses	485,507	517,677
Liability, property and vehicle insurance	636,704	656,958
Health and dental costs	591,730	637,211
Maintenance of way, materials and purchased services	507,510	524,642
Professional fees	427,826	356,141
Purchased switching services	261,271	253,778
Equipment maintenance	336,848	276,535
Real estate taxes	155,972	198,094
Licenses and fees	179,504	175,668
Other expenses	652,922	640,007
Depreciation and amortization	2,009,490	1,890,828
Gain on sale of property and equipment	(58,064)	(39,930)
	10,826,946	10,598,878
Operating income	**634,364**	**803,809**
Other income (expenses):		
Lease income	547,504	446,556
Interest expense	(367,353)	(348,830)
Sale of income tax credits	-	-
Other, net	39,894	(39,163)
	220,045	58,563
Income before provision (benefit) for income taxes	**854,409**	**862,372**
Provision (benefit) for income taxes	-	-
Net income	**854,409**	**862,372**
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	(28,665)	(30,045)
Net income attributable to Pioneer Railcorp	**825,744**	**832,327**
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 $90,437 and ($73,940) respectively	165,314	(137,316)
Comprehensive income	**$ 991,058**	**$ 695,011**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Six Months Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net income	$ 854,409	$ 862,372
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,009,490	1,890,829
Gain on sale of property and equipment	(28,913)	(39,930)
Gain on sale of subsidiary stock	-	-
Deferred taxes	-	-
Provision for doubtful accounts	55,092	23,249
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	454,281	976,882
Prepayment of income taxes	(16,665)	66,540
Inventories	(6,091)	(444)
Prepaid expenses and other assets	182,384	222,587
Increase (decrease) in liabilities:		
Accounts payable	376,248	(602,745)
Accrued expenses	10,626	(686,809)
Deferred revenue	(54,413)	169,731
Net cash provided by operating activities	**3,836,448**	**2,882,262**
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	29,248	49,931
Purchase of property and equipment	(3,174,064)	(3,636,366)
Investment in intangible assets	-	-
Net cash used in investing activities	**(3,144,816)**	**(3,586,435)**
Cash Flows from Financing Activities:		
Proceeds from line-of-credit	13,384,799	15,751,028
Proceeds from short-term notes payable	-	-
Proceeds from long-term debt	3,699	17,054
Principal payments on line-of-credit	(12,717,205)	(13,986,188)
Principal payments on short-term notes payable	(716,613)	(753,072)
Principal payments on long-term debt	(191,852)	1,649
Common stock dividend payments	-	-
Redemption of Heartland Class B member units	(100,000)	-
Purchase of subsidiaries shares from noncontrolling interest	(18,000)	(4,000)
Preferred stock dividend payments to noncontrolling interest	(28,665)	(30,045)
Payments under salary continuation agreement	(117,286)	(108,721)
Payments under agreement to purchase common stock	(61,412)	(56,988)
Purchase of common stock by subsidiary	(129,001)	(126,501)
Net cash used in financing activities	**(691,536)**	**704,216**
Cash:		
Beginning of period	50,401	50,307
End of period	$ 50,497	$ 50,350
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of 2017 $90,437 and 2016 ($73,940)	$ 165,314	$ (137,316)