



ANNUAL REPORT OF CLASS II AND III RAILROADS
NORTH DAKOTA PUBLIC SERVICE COMMISSION
 SFN 14356 (03-03)

File No.

Business Name Dakota Missouri Valley & Western Railroad, Inc.	For Year Ended 2021
Business Address 3501 E. Rosser Ave. Bismarck, ND 58501	Business Telephone Number 701-223-9282

Instructions: Complete this form in duplicate and return the original to the ND Public Service Commission, 600 E Boulevard Ave., Dept. 408, Bismarck ND 58505-0480. Return it no later than the 15th day of the fourth month following the close of the year for which this report is filed.

General Information

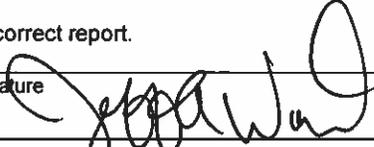
1. Provide the names and addresses of owners, partners, or top five corporate officers.

Name	Address
Jeff Wood	3501 E. Rosser Ave. Bismarck, ND 58501
Larry Wood	3501 E. Rosser Ave. Bismarck, ND 58501
Derrick Bosch	3501 E. Rosser Ave. Bismarck, ND 58501
Jenna Jahner	3501 E. Rosser Ave. Bismarck, ND 58501

2. Provide the names and addresses of owners, partners, or stockholders with 20% or more ownership of the company.

Name	Address
Diana Kirk	3501 E. Rosser Ave. Bismarck, ND 58501
Larry Wood	3501 E. Rosser Ave. Bismarck, ND 58501
Jeff Wood	3501 E. Rosser Ave. Bismarck, ND 58501

I certify that to the best of my knowledge and believe that this is a true and correct report.

Name Jeff Wood	Signature 
Title President	Date 3/22/2022

File No.

Company Statements

3. Condensed Balance Sheet (system)

Asset Side	Balance at End of Year	Liability and Equity Side	Balance at End of Year
Current Assets	13,595,803	Current Liabilities	1,095,241
Other Assets/Deferred Charges	14,011,062	Non-Current Liabilities	0
Transportation Property – Net	16,407,126	Stockholders' Equity	42,918,750
Total Assets	44,013,991	Total Liabilities and Equity	44,013,991

4. Condensed Operating Statement (system)

	Balance at End of Year
Railway Operating Revenues (from revenue schedule below)	21,651,524
Less: Railway Operating Expenses (from schedule A – attached)	18,984,325
Net Income from Railway Operations	2,667,199
Less: Net Rentals	
Railway Income Tax Accruals	
Net Railway Operating Income	2,667,199

Additional Data and Statistics

5. Railway Operating Revenues

	North Dakota Intrastate	System Wide
Freight	14,095,209	17,344,618
Switching	856,276	856,276
Demurrage		
Incidental		
Total	14,951,485	18,200,894

	North Dakota Intrastate	System Wide
6. Miles of road owned and operated at year end	375	502
7. Miles of road operated under trackage rights	14	14
8. Miles of road discontinued during the year		
9. Expenditures for maintenance of way during the year		

10. Operating Statistics

	System Wide
Gross Ton Miles	210780536
Train Miles	73055
Car Miles	3214689
Car Days	45367
Road Locomotive Hours	21916
Yard Locomotive Switching Hours	1096
Trailer/Container Days	0

11. Equipment Inventory

	Owned	Leased
Road Locomotive Units		
Yard Locomotive Units		
Freight Cars		
Covered Hopper		
Open Hopper		
Other		
Trailers/Containers		

File No.

**Schedule A
Railway System Operating Expenses**

Maintenance of Way & Structures	→	→	→	→	→	→	→	→	→	
Maintenance of Equipment:										
Locomotives	→	→	→	→	→	→	→	→	→	
Freight Cars	→	→	→	→	→	→	→	→	→	
Trailers & Containers	→	→	→	→	→	→	→	→	→	
Other	→	→	→	→	→	→	→	→	→	
Total Maintenance of Equipment	→	→	→	→	→	→	→	→	→	9,256,568
Transportation:										
Train & Engine Crews	→	→	→	→	→	→	→	→	→	
Yard Crews	→	→	→	→	→	→	→	→	→	
Locomotive Fuel:										
Train Operations	→	→	→	→	→	→	→	→	→	
Yard Operations	→	→	→	→	→	→	→	→	→	
Total Locomotive Fuel	→	→	→	→	→	→	→	→	→	
Other Transportation:										
Train Operations	→	→	→	→	→	→	→	→	→	
Yard Operations	→	→	→	→	→	→	→	→	→	
Total Other Transportation	→	→	→	→	→	→	→	→	→	
Total Transportation	→	→	→	→	→	→	→	→	→	7,790,662
General Administration & Overhead:										
Central Office Personnel	→	→	→	→	→	→	→	→	→	
Property Taxes	→	→	→	→	→	→	→	→	→	
Fringe Benefits	→	→	→	→	→	→	→	→	→	
Other	→	→	→	→	→	→	→	→	→	
Total Other General Administration & Overhead	→	→	→	→	→	→	→	→	→	1,937,095
Total System Expenses	→	→	→	→	→	→	→	→	→	18,984,325

File No.

Schedule B
System Revenue Freight Handled During the Year

Description	Originating		Terminating		Bridge and Overhead Traffic	
	Carloads	Tons	Carloads	Tons	Carloads	Tons
Wheat (except durum)	2983	387790				
Durum	3117	405210				
Barley						
Sunflowers	8	1040				
Corn	6667	866710				
Flax	115	14950				
Oats						
Rye						
Soybeans	4996	649480				
Other Grain and Oilseeds	611	79430				
Wheat Flour						
Malt						
Dairy Products						
Fertilizer			852	110760		
Cement			406	52780		
Coal	2117	275210				
Petroleum & Petroleum Products			16	2080		
Chemicals			7	910		
Lumber			99	12870		
Machinery						
Livestock						
Miscellaneous*	5070	650000	772	100360	3	90
Totals	25684	3329820	2152	279760	3	90

*List below any commodity that accounts for more than 1% of total carloads or tons:

Commodity	Carloads	Tons
Fly Ash	2244	291720
Ethanol	1813	235690
Lime	640	83200
DDG	631	82030

File No.

Schedule C
ND Revenue Freight Handled During the Year

Description	Originating		Terminating		Bridge and Overhead Traffic	
	Carloads	Tons	Carloads	Tons	Carloads	Tons
Wheat (except durum)	2983	387790				
Durum	712	92560				
Barley						
Sunflowers	8	1040				
Corn	5047	656110				
Flax	115	14950				
Oats						
Rye						
Soybeans	3304	429520				
Other Grain and Oilseeds	608	79040				
Wheat Flour						
Malt						
Dairy Products						
Fertilizer			838	108940		
Cement			406	52780		
Coal	2117	275210				
Petroleum & Petroleum Products			16	2080		
Chemicals			7	910		
Lumber			34	4420		
Machinery						
Livestock						
Miscellaneous*	4948	635040	772	100360	3	90
Totals	19842	2571260	2073	269490	3	90

*List below any commodity that accounts for more than 1% of total carloads or tons:

Commodity	Carloads	Tons
FlyAsh	2244	291720
Ethanol	1813	235690
Lime	640	83200
DDG	631	82030

**DAKOTA, MISSOURI VALLEY AND
WESTERN RAILROAD, INC.
REVIEWED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
of Dakota, Missouri Valley and Western Railroad, Inc.

We have reviewed the accompanying financial statements of Dakota, Missouri Valley and Western Railroad, Inc. (a North Dakota corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Dakota, Missouri Valley and Western Railroad, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Financial Statements

The 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 24, 2021. We have not performed any auditing procedures since that date.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

March 16, 2022

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,778,340	\$ 8,378,150
Accounts Receivable	3,577,292	2,489,942
Inventory	1,037,128	1,312,257
Prepaid Expenses	46,113	25,722
Current Portion of Notes and Contracts Receivable	156,930	834,997
TOTAL CURRENT ASSETS	<u>13,595,803</u>	<u>13,041,068</u>
PROPERTY AND EQUIPMENT (NET)	<u>16,407,126</u>	<u>18,692,953</u>
OTHER ASSETS		
Notes Receivable - Employees	65,015	158,398
Less Current Portion	(16,433)	-
Notes Receivable - Related Parties	-	700,000
Less Current Portion	-	(700,000)
Contract for Deed - RCS Properties LLC	1,201,505	1,336,502
Less Current Portion	(140,497)	(134,997)
Investment - Real Estate	3,558,621	3,478,072
Investment - Midwest AgEnergy Group	1,000,000	1,000,000
Investment - BNC Brokerage Account	2,500,168	2,284,620
Investment - Edward Jones Brokerage Account	3,326,034	3,011,691
Cash Value of Life Insurance	2,338,374	2,609,617
Patronage Dividend Receivable	178,275	197,512
TOTAL OTHER ASSETS	<u>14,011,062</u>	<u>13,941,415</u>
TOTAL ASSETS	<u>\$ 44,013,991</u>	<u>\$ 45,675,436</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 676,996	\$ 861,450
Accrued Payroll Liabilities	418,245	495,527
Line of Credit	-	-
TOTAL CURRENT LIABILITIES	<u>1,095,241</u>	<u>1,356,977</u>
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common Stock	52	52
Additional Paid In Capital	55,448	55,448
Treasury Stock	(7,908,439)	(935,836)
Accumulated Other Comprehensive Income	630,379	230,664
Retained Earnings	50,141,310	44,968,131
TOTAL STOCKHOLDERS' EQUITY	<u>42,918,750</u>	<u>44,318,459</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 44,013,991</u>	<u>\$ 45,675,436</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT
The accompanying notes are an integral part of these statements.

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Freight Revenue	\$ 17,344,618	\$ 17,285,498
Contracting Revenue	1,415,175	2,841,835
Railcar/Locomotive Lease	1,353,900	1,339,500
Other Freight Services	1,364,621	1,303,957
Maintenance Services	173,210	409,290
TOTAL OPERATING REVENUES	<u>21,651,524</u>	<u>23,180,080</u>
OPERATING EXPENSES		
Maintenance of Way	6,961,870	6,168,439
Transportation Expense	7,790,662	7,648,020
Contracting Expense	1,696,118	2,650,628
Car Repair Expense	184,285	233,421
Car Lease Expense	414,295	342,546
Administrative Expense	1,937,095	2,032,917
TOTAL OPERATING EXPENSES	<u>18,984,325</u>	<u>19,075,971</u>
INCOME FROM OPERATIONS	<u>2,667,199</u>	<u>4,104,109</u>
OTHER INCOME (EXPENSE)		
Miscellaneous	262,777	61,319
Interest Income	88,883	166,571
Gain on Sale of Assets	41,974	35,568
Officer Life Insurance Income	154,316	137,237
Life Insurance Death Benefit (Net of Cash Value)	5,542,853	-
Income (Loss) on Brokerage Accounts - Net of Fees	130,177	21,359
Income on Investment in Midwest AgEnergy, Inc.	-	8,917
Employee Retention Credit	560,000	-
Paycheck Protection Program Loan Forgiveness	-	1,663,200
TOTAL OTHER INCOME (EXPENSE)	<u>6,780,980</u>	<u>2,094,171</u>
NET INCOME	9,448,179	6,198,280
OTHER COMPREHENSIVE INCOME		
Unrealized Gain on Brokerage Accounts	<u>399,715</u>	<u>91,873</u>
COMPREHENSIVE INCOME	<u><u>\$ 9,847,894</u></u>	<u><u>\$ 6,290,153</u></u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT
The accompanying notes are an integral part of these statements.

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>
Balance December 31, 2019	\$ 52	\$ 55,448	\$ (935,836)	\$ 138,791	\$ 43,224,851
Distributions to Stockholders	-	-	-	-	(4,455,000)
Net Income - 2020	-	-	-	91,873	6,198,280
Balance December 31, 2020	52	55,448	(935,836)	230,664	44,968,131
Partial Stock Redemption	-	-	(6,972,603)	-	-
Distributions to Stockholders	-	-	-	-	(4,275,000)
Net Income - 2021	-	-	-	399,715	9,448,179
Balance December 31, 2021	\$ <u>52</u>	\$ <u>55,448</u>	\$ <u>(7,908,439)</u>	\$ <u>630,379</u>	\$ <u>50,141,310</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT
The accompanying notes are an integral part of these statements.

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 21,274,554	\$ 23,142,213
Cash Paid to Suppliers and Employees	(16,712,404)	(16,342,797)
Cash Received from Employee Retention Credit	348,258	-
Interest Received	219,060	187,930
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	<u>5,129,468</u>	<u>6,987,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property and Equipment	(202,118)	(1,511,790)
Proceeds from the Disposal of Property and Equipment	86,262	62,582
Advances on Notes Receivable - Employees	(17,000)	(12,000)
Payments Received on Notes Receivable - Employees	20,383	8,977
Payments for Investment in Real Estate	(80,549)	(3,250,504)
Dividends Received from Investment in Midwest AgEnergy, Inc.	-	8,917
Payments Received on Notes Receivable - Related Parties	700,000	677,939
Payments Received on Contract for Deed - RCS Properties LLC	134,997	179,295
Purchase of Investments	(1,660,931)	(3,038,875)
Sale of Investments	1,530,755	17,514
Cash Received from Life Insurance Proceeds	6,006,526	-
NET CASH PROVIDED BY (USED FOR)		
INVESTING ACTIVITIES	<u>6,518,325</u>	<u>(6,857,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	-	1,663,200
Purchase of Treasury Stock	(6,972,603)	-
Stockholders' Distributions	(4,275,000)	(4,455,000)
NET CASH PROVIDED BY (USED FOR)		
FINANCING ACTIVITIES	<u>(11,247,603)</u>	<u>(2,791,800)</u>
NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	400,190	(2,662,399)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>8,378,150</u>	<u>11,040,549</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 8,778,340</u>	<u>\$ 8,378,150</u>
NON-CASH INVESTING ACTIVITIES		
Employee Note Receivable Forgiveness	<u>\$ 90,000</u>	<u>\$ -</u>
Unrealized Gain/(Loss) on Brokerage Accounts	<u>\$ 399,715</u>	<u>\$ 91,873</u>
NON-CASH FINANCING ACTIVITIES		
Paycheck Protection Program Loan Forgiveness	<u>\$ -</u>	<u>\$ 1,663,200</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT
The accompanying notes are an integral part of these statements.

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Net Income	\$ 9,448,179	\$ 6,198,280
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	2,443,657	2,462,364
Officer Life Insurance Proceeds	(6,006,526)	-
Loss (Gain) on Sale of Property and Equipment	(41,974)	(35,568)
Forgiveness of Employee Note Receivable	90,000	
Income on Investment in Midwest AgEnergy, Inc.	-	(8,917)
Paycheck Protection Loan Forgiveness	-	(1,663,200)
(Increase) Decrease in:		
Accounts Receivable	(1,087,350)	(523,558)
Inventory	275,129	(8,953)
Prepaid Expenses	(20,391)	707,313
Patronage Dividend Receivable	19,237	(16,546)
Cash Value of Life Insurance	271,243	(394,679)
Increase (Decrease) in:		
Accounts Payable	(184,454)	315,250
Accrued Payroll Liabilities	(77,282)	(44,440)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 5,129,468	\$ 6,987,346

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT
The accompanying notes are an integral part of these statements.

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NATURE OF OPERATIONS

Dakota, Missouri Valley and Western Railroad, Inc. operates a short-line railroad in the States of North Dakota, South Dakota, and Montana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

REVENUE RECOGNITION POLICY

The Company's primary source of revenue is freight rail transportation services. The primary performance obligation for the Company is to move freight from a point of origin to a point of destination. The performance obligations are represented by bills of lading which create a series of distinct services that have a similar pattern of transfer to the customer. The revenues for each performance obligation are based on various factors including the product being shipped and the location of the origin and destination. The transaction price is generally a per car amount to transport cars from the origin to the destination.

The associated freight revenues are recognized over time as the service is performed because the customer simultaneously receives and consumes the benefits of the service. The Company recognizes revenue based on the proportion of the service completed as of the balance sheet date. Bills for freight transportation services are generally issued to customers and paid within thirty days or less. As a result, no significant contract assets or liabilities exist and there are no significant financing components in the Company's revenue arrangements.

The Company's contracts include no customer incentives or demurrage rates as of the balance sheet date, thus there are no timing impacts of variable consideration for certain customers. Receivables from contracts with customers is a component of accounts receivable on the balance sheets. Remaining performance obligations primarily consist of in-transit freight revenues, which will be recognized in the next reporting period.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to estimate and make assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For the purposes of presenting cash flows, investments with original maturities of three months or less are considered to be cash equivalents, except for the money market funds in the brokerage accounts.

INVESTMENTS

The investments of Dakota, Missouri Valley and Western Railroad, Inc. are carried at fair value based on quoted market prices and are classified as available-for-sale, except for real estate investments and the investment in Midwest AgEnergy Group, which are carried at cost due to having no readily determinable fair value. Management has determined that investments are not impaired at December 31, 2021 or 2020. Realized gains and losses are reported as a component of income (loss) on brokerage accounts – net of fees and included in other income (expense) on the statement of comprehensive income. For the years ending December 31, 2021 and 2020, all proceeds from sale remained in the brokerage accounts for reinvestment. The cost of securities sold is based on the purchase price.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below.

- Level 1 inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

All financial instruments subject to fair value measurement held by the Company are categorized as level 1, except as discussed in Note 6. Management has determined that there are no impaired financial instruments. No allowance for credit losses has been calculated, based on the Company's history with the applicable financial instruments.

CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

In the normal course of business, the Company extends credit to its customers. Credit evaluations of its customers' financial condition are performed but, generally, no collateral is required. Canadian Pacific Railway comprises a significant portion of the Company's customer base. The Company's exposure to credit risk associated with nonpayment from this customer is affected by conditions within the railroad industry.

The Company has deposits with banks that are periodically in excess of federally insured limits.

ACCOUNTS RECEIVABLE

The Company extends credit, in the normal course of business, to customers in North Dakota, South Dakota and Montana. The Company generally extends credit on an unsecured basis. The Company considers accounts receivable to be old after 60 days and generally no finance charges are accrued. An account is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the balance due. The Company writes off any impaired accounts to bad debt expense.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management determines the allowance for doubtful accounts by regularly evaluating customer receivables and considering a customer's financial condition and credit history, and current economic conditions. No allowance for uncollectible accounts is calculated because it is reasonably expected, based on the Company's collection history, that all accounts receivable will be collectible. Accounts will be written off when management determines that the outstanding balance will not be collected. Recoveries of accounts receivable previously written off are recorded when received.

INVENTORY

The inventory consists of material purchases and salvage rail to be used on future track projects and is valued at cost and estimated salvage value, as determined on the first-in, first-out (FIFO) method. Such valuations are not in excess of market value.

ADVERTISING COSTS

The Company follows the policy of charging advertising and promotions to expense as incurred. Advertising costs charged to operations for the years ended December 31, 2021 and 2020 were \$2 and \$20, respectively.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

DAKOTA, MISSOURI VALLEY AND WESTERN RAILROAD, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets are expensed currently. When items are sold or otherwise disposed of, the cost and accumulated depreciation of such items are removed from the accounts. Gains and losses from the sale or abandonment of such items are realized in the period in which the disposal occurred. Depreciation of property and equipment is calculated using straight-line methods over the estimated useful lives of the assets.

INCOME TAXES

The Company has elected Subchapter S status effective January 1, 2002. Earnings and losses after that date are included in the individual income tax returns of the Company's stockholders. Accordingly, the Company does not incur income tax obligations other than corporate level taxes assessed by federal or state taxing authorities.

Under the provisions of subchapter S corporations, Dakota, Missouri Valley and Western Railroad, Inc.'s taxable income is reported individually by its stockholders. Therefore, no provision or liability for income taxes has been included in these financial statements.

The Company will recognize the tax effects of any uncertain tax positions it may adopt, if the position taken is more likely than not sustainable. If a tax position meets such criteria, the tax effect to be recognized by the Company would be the largest amount of benefit with more than a 50% chance of being realized upon settlement. No tax positions meet these criteria.

SHIPPING AND HANDLING

The Company follows the policy of charging shipping and handling costs to expense as incurred.

SALES TAX

The Company follows the policy of recording sales net of any applicable taxes payable to the State in which the sale was conducted.

RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The Company's prior year equity did not change due to these reclassifications.

2. ACCOUNTS RECEIVABLE

The detail of accounts receivable is as follows:

	<u>2021</u>	<u>2020</u>
Canadian Pacific Railway – Freight Revenue	\$ 3,191,013	\$ 1,533,869
Contracting Projects	22,231	411,265
Internal Revenue Service (Employee Retention Credit)	211,742	-
Other Receivables	<u>152,306</u>	<u>544,808</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 3,577,292</u>	<u>\$ 2,489,942</u>

3. NOTES AND CONTRACT RECEIVABLE

The Company has the following notes and contract receivable:

	<u>2021</u>	<u>2020</u>
Contract for deed for commercial real estate from RCS Properties LLC, a related party through common ownership of Jeff Wood, with monthly installments of \$15,500 including principal and interest at a fixed rate of 4.00% to March 1, 2025.	\$ 1,201,505	\$ 1,336,502
Notes receivable from employees, with principal installments ranging from \$150 per payroll to \$10,833 per year and interest ranging from 0.00% to 1.00% due on various dates through December 31, 2026.	65,015	158,398

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3. NOTES AND CONTRACT RECEIVABLE (Cont'd)	<u>2021</u>	<u>2020</u>
Note receivable from River City Sports, Inc. a related party through common ownership with Larry Wood and Jeff Wood, payable on demand with interest payable monthly at 5.00%.	\$ <u>-</u>	\$ <u>700,000</u>
TOTAL NOTES AND CONTRACT RECEIVABLE	1,266,520	2,194,900
LESS: CURRENT MATURITIES	156,930	834,997
LONG-TERM NOTES AND CONTRACT RECEIVABLE	\$ <u>1,109,590</u>	\$ <u>1,359,903</u>

4. PROPERTY AND EQUIPMENT

	ESTIMATED LIFE	<u>2021</u>	<u>2020</u>
Land		\$ 143,613	\$ 143,613
Buildings and Improvements	10-40 Years	2,403,003	2,403,003
Track and Structures (Leasehold Improvements)	10-20 Years	28,213,249	28,213,249
Locomotives and Improvements	7-10 Years	3,374,510	3,437,010
Track Equipment	5-10 Years	5,280,170	5,508,070
Rail Cars	7-20 Years	8,432,110	8,432,110
Transportation Equipment	3-5 Years	982,535	1,277,882
Communication Equipment	5-7 Years	186,920	186,920
Office Equipment	5-7 Years	<u>126,092</u>	<u>215,452</u>
		49,142,202	49,817,309
Less: Accumulated Depreciation		<u>32,735,076</u>	<u>31,124,356</u>
PROPERTY AND EQUIPMENT – NET		\$ <u>16,407,126</u>	\$ <u>18,692,953</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$2,443,657 and \$2,462,364, respectively.

5. INVESTMENTS

Real Estate

The Company holds real estate investments in Bismarck, North Dakota and Routt County, Colorado. The cost of this real estate for the years ended December 31, 2021 and 2020 was \$3,558,621 and \$3,478,072, respectively.

Midwest AgEnergy Group

The Company has invested in Midwest AgEnergy Group in exchange for a minority share of ownership. The cost of this investment in Midwest AgEnergy Group as of December 31, 2021 and 2020 was \$1,000,000 and \$1,000,000, respectively. Distributions for the years ended December 31, 2021 and 2020 totaled \$-0- and \$8,907, respectively.

BNC Brokerage Account

The Company has invested excess funds in a brokerage account. Investments in this account are recorded at fair market value and include various municipal bonds, mutual funds, common stock, foreign stock, exchange traded funds, and money market accounts.

Edward Jones Brokerage Account

The Company has invested excess funds in a brokerage account. Investments in this account are recorded at fair market value and include various municipal bonds, mutual funds, common stock, and money market accounts.

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6. FAIR VALUE MEASUREMENTS – INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Company’s investments at fair value as of December 31, 2021.

	<u>2021</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>
Investments by Fair Value Level			
Fixed income securities			
Closed-end funds	\$ 14,640	\$ 14,640	\$ -
Mutual funds	341,730	341,730	-
Municipal obligations	<u>1,347,131</u>	<u>-</u>	<u>1,347,131</u>
Total fixed income securities	<u>1,703,501</u>	<u>356,370</u>	<u>1,347,131</u>
Equity securities			
Closed-end funds	75,773	75,773	-
Mutual funds	373,765	373,765	-
Common stock	2,741,804	2,741,804	-
Foreign stock	<u>49,519</u>	<u>49,519</u>	<u>-</u>
Total equity securities	<u>3,240,861</u>	<u>3,240,861</u>	<u>-</u>
Real assets			
Exchange traded funds-commodities	170,960	170,960	-
Mutual funds-real estate	<u>214,424</u>	<u>214,424</u>	<u>-</u>
Total real assets	<u>385,384</u>	<u>385,384</u>	<u>-</u>
Alternatives			
Mutual funds	<u>293,967</u>	<u>293,967</u>	<u>-</u>
Total alternatives	<u>293,967</u>	<u>293,967</u>	<u>-</u>
 Total investments by fair value level	 <u>\$ 5,623,713</u>	 <u>\$ 4,276,582</u>	 <u>\$ 1,347,131</u>

A summary of investments in the brokerage accounts as of December 31, 2021 is as follows:

Investments disclosed by fair value level	\$ 5,623,713
Accounts not disclosed by fair value level:	
Money Market Accounts	<u>202,489</u>
 Total Investments in Brokerage Accounts	 <u>\$ 5,826,202</u>
 Investment – BNC Brokerage Account	 \$ 2,500,168
Investment – Edward Jones Brokerage Account	<u>3,326,034</u>
 Total Investments in Brokerage Accounts	 <u>\$ 5,826,202</u>

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6. FAIR VALUE MEASUREMENTS – INVESTMENTS (Cont'd)

The following table sets forth by level, within the fair value hierarchy, the Company's investments at fair value as of December 31, 2020.

	<u>2020</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>
Investments by Fair Value Level			
Fixed income securities			
Closed-end funds-fixed income	\$ 14,250	\$ 14,250	\$ -
Mutual funds-fixed income	457,556	457,556	-
Municipal obligations	1,441,958	-	1,441,958
Total fixed income securities	<u>1,913,764</u>	<u>471,806</u>	<u>1,441,958</u>
Equity securities			
Closed-end funds	30,833	30,833	-
Mutual funds-equity	296,455	296,455	-
Mutual funds-international equity	86,171	86,171	-
Common stock	1,858,948	1,858,948	-
Foreign stock	27,498	27,498	-
Total equity securities	<u>2,299,905</u>	<u>2,299,905</u>	<u>-</u>
Real assets			
Exchange traded funds-commodities	160,524	160,524	-
Mutual funds-real estate	213,296	213,296	-
Total real assets	<u>373,820</u>	<u>373,820</u>	<u>-</u>
Alternatives			
Mutual funds-alternative	308,042	308,042	-
Total alternatives	<u>308,042</u>	<u>308,042</u>	<u>-</u>
 Total investments by fair value level	 <u>\$ 4,895,531</u>	 <u>\$ 3,453,573</u>	 <u>\$ 1,441,958</u>

A summary of investments in the brokerage accounts as of December 31, 2020 is as follows:

Investments disclosed by fair value level	\$ 4,895,531
Accounts not disclosed by fair value level:	
Money Market Accounts	<u>400,780</u>
Total Investments in Brokerage Accounts	<u>\$ 5,296,311</u>
 Investment – BNC Brokerage Account	 \$ 2,284,620
Investment – Edward Jones Brokerage Account	<u>3,011,691</u>
 Total Investments in Brokerage Accounts	 <u>\$ 5,296,311</u>

For the years ended December 31, 2021 and 2020, there were no transfers between levels.

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6. FAIR VALUE MEASUREMENTS – INVESTMENTS (Cont'd)

The following schedule summarizes the composition of income (loss) on brokerage accounts for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 170,382	\$ 38,495
Realized capital gains (losses)	30,285	(20,352)
Realized capital gains (losses) transferred from accumulated other comprehensive income	(11,521)	20,785
Fees	<u>(58,969)</u>	<u>(17,569)</u>
Income (Loss) on Brokerage Accounts	<u>\$ 130,177</u>	<u>\$ 21,359</u>

7. LINE OF CREDIT

As of December 31, 2021 and 2020, the Company had bank credit lines with BNC National Bank totaling \$1,000,000 for each year, at variable rates of interest (4.25% at December 31, 2021 and 4.25% at December 31, 2020). The current line of credit has a maturity date of December 1, 2022. As of December 31, 2021 and 2020, the Company had advances of \$-0- and \$-0-, respectively against these credit lines. Substantially all business assets of the Company and personal guarantees of certain majority stockholders secured these credit lines.

8. CAPITAL STOCK

The authorized capital stock consists of 10,000 shares of common with a par value of \$.01 per share. As of December 31, 2021 and 2020, respectively, 3,848.632 and 4,472.304 shares were issued and outstanding.

During 1998, 2001, 2017 and 2021, respectively, 47.696, 640, 10, and 623.672 shares were redeemed from minority stockholders. During 2002, 20 shares were reissued. For the years ended December 31, 2021 and 2020, respectively, 1,301.368 and 677.696 shares were held as treasury stock.

9. RETIREMENT PLAN

On September 1, 2000 the Company established a 401(k) deferred compensation and a defined contribution profit sharing plan covering substantially all eligible employees. Management annually determines the Company's contributions to both plans. For the years ended December 31, 2021 and 2020, the Company's contribution to the 401(k) and profit sharing plans was \$184,129 and \$201,864, respectively.

**10. OPERATING LEASES
TRACKAGE**

The Company has entered into a lease and operating agreement with the Soo Line Railroad Company, a subsidiary of the Canadian Pacific Railway, to operate approximately 531 miles of railroad line in North Dakota, South Dakota and Montana. The term of the agreement was for twenty years and was set to expire in 2010. On August 1, 2006, the Company renewed and modified this agreement. The renewed agreement now extends to June 30, 2026.

The renewed agreement provides for the Company to earn handling fees on a per carload basis for movements that are exchanged with the Canadian Pacific Railway. These fees include components for operating costs as well as track maintenance. These fees are to be indexed annually according to the agreement. The agreement further provides for the Company to pay a fee for any other traffic not exchanged with the Canadian Pacific Railway.

These user fees are on a per car and percentage of revenue basis. There are no minimum lease guarantees provided for in this agreement.

Based on the present agreement, the Company bears all costs associated with maintaining the railroad line. The Canadian Pacific Railway is responsible for capital improvements to the railroad line. In addition, the Company is required to participate with the Canadian Pacific Railway in the costs associated with any industrial development projects involving customers' trackage along the lines.

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10. OPERATING LEASES (Cont'd)

RAILCAR AND EQUIPMENT LEASES

The Company has entered into agreements for the use of locomotives and railcars under non-cancelable leases. The leases, which call for monthly payments, have terms ending at various times through February 1, 2025. Minimum future lease payments under these agreements are as follows:

2022		\$ 410,110
2023		402,300
2024		352,600
2025		29,400
2026		-
Total Commitment		<u>\$ 1,194,410</u>

Rental expense under these leases included in operating expenses is \$414,295 and \$342,546 for the years ended December 31, 2021 and 2020, respectively.

The Company also leases various other equipment on a month-to-month basis. Rental expense under these month-to-month leases included in operating expenses is \$38,257 and \$94,122 for the years ended December 31, 2021 and 2020, respectively.

11. RELATED PARTY TRANSACTIONS

The Company holds a contract for deed for commercial real estate from RCS Properties LLC, a related party through the common ownership of Jeff Wood, with monthly installments of \$15,500 including principal and interest at a fixed rate of 4.00% to March 1, 2025. As of December 31, 2021 and 2020 the balance of this contract for deed is \$1,201,505 and \$1,336,502, respectively. Interest received for the years ended December 31, 2021 and 2020 totaled \$51,003 and \$56,705, respectively.

In August 2019, the Company advanced \$1,023,293 to River City Sports, Inc., a related party through the ownership of Larry Wood and Jeff Wood. This promissory note was for the purpose of re-financing the floor plan indebtedness of River City Sports, Inc.'s inventory. This promissory note was due on demand with interest payable monthly at 5.00%. As of December 31, 2021 and 2020 the balance of this note was \$-0- and \$700,000, respectively. Interest received for the years ended December 31, 2021 and 2020 totaled \$10,769 and \$52,154, respectively.

12. PAYCHECK PROTECTION PROGRAM

The Company received a loan from the Small Business Administration (via BNC National Bank) in the amount of \$1,672,486 during 2020 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Company applied for forgiveness of the loan under the program instructions and the full amount of the loan was forgiven on November 4, 2020. This amount is recorded as other income on the statements of comprehensive income. The Company was not eligible for this program in 2021.

13. EMPLOYEE RETENTION CREDIT

In 2021 the Company was eligible for the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This credit is a refundable payroll tax credit based on 70% of eligible wages. Based on the program guidelines, the Company was allowed to claim a credit of \$560,000. This amount is recorded as other income on the statements of comprehensive income. The Company was not eligible for this program in 2020.

14. COVID-19 PANDEMIC

Due to the economic conditions caused by the COVID-19 pandemic, the Company has been evaluating its operations so that it can best accommodate the current climate. Due to the uncertainty of the financial impact of the pandemic, the Company applied for and was awarded a Payroll Protection Program loan in 2020 as discussed in Note 12. The Company also applied for the Employee Retention Credit in 2021 as discussed in Note 13. As of December 31, 2021, the Company has determined that there has been no material impact on operations due to COVID-19. Management is not able to determine any potential future impact of the pandemic on operations at this time and is not able to determine if any future impact would be material.

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15. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for recognition, measurement, presentation, and disclosure of leases for the lessee and lessor. The standard requires lessees to classify leases as finance or operating leases based on whether the lease is effectively the purchase of an asset under a financing agreement. This classification will determine whether lease expense is recognized based on an effective-interest or straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of classification. Leases with a term of 12 months or less will be accounted in a similar manner to existing guidance for operating leases under FASB ASC, *Accounting for Leases (Topic 840)*. The standard requires lessors to account for leases using an approach that is substantially the same to existing guidance for direct financing leases, sales-type leases, and operating leases. Implementation of the standard is required on January 1, 2022. Management is evaluating the impact of the pending implementation on the Company's financial statements.

16. DERAILMENT

The Company experienced a derailment on its South Dakota line in April of 2020. The costs for unpaid car damage associated with the derailment are estimated to be \$90,000 and \$228,713 as of December 31, 2021 and 2020, respectively. These amounts are reported as a component of accounts payable on the balance sheets at December 31, 2021 and 2020, respectively.

17. SUBSEQUENT EVENTS

The Company is currently in negotiations for the purchase of the assets of a crane company for \$3,500,000. This entity would be a wholly owned subsidiary of the Company upon the effective date of the purchase.

Management has evaluated subsequent events through March 16, 2022 for potential disclosure. This is the date the financial statements were available to be issued.