First Berlin Bancorp, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

Fortifi Bank

WIPFLI

WIPFLI

Independent Auditor's Report

Board of Directors
First Berlin Bancorp, Inc. and Subsidiary
Berlin, Wisconsin

Opinion

We have audited the consolidated financial statements (the ''financial statements'') of First Berlin Bancorp, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP

March 20, 2024
Rockford, Illinois

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets

As of December 31,		
	2023	2022
Assets:		
Cash and due from banks	$ 21,461,090	$ 12,959,364
Interest-bearing deposits	45,057,553	24,356,107
Cash and cash equivalents	66,518,643	37,315,471
Certificates of deposit	260,497	500,837
Debt securities available for sale (amortized cost of $104,330,346 and $120,724,418 at December 31, 2023 and 2022, respectively	93,451,248	107,379,241
Loans, net of allowance for credit losses of $5,157,237 and $5,157,851 at December 31, 2023 and 2022, respectively	451,940,496	422,145,160
Premises and equipment, net	5,143,089	5,189,212
Mortgage servicing rights	1,826,206	2,098,198
Other investments	2,545,540	1,979,400
Bank-owned life insurance	9,559,020	9,343,090
Other assets	7,430,753	7,742,870
Total assets	$ 638,675,492	$ 593,693,479
Liabilities:		
Noninterest-bearing deposits	$ 148,661,247	$ 158,310,701
Interest-bearing deposits	361,351,709	367,779,905
Total deposits	510,012,956	526,090,606
Borrowed funds	60,816,821	9,085,341
Lease obligations - Finance leases	32,068	59,440
Reserve for unfunded commitments	378,000	-
Other liabilities	4,198,264	3,372,058
Total liabilities	575,438,109	538,607,445
Stockholders' equity:		
Common stock - $0.02 par value; Authorized - 5,000,000 shares; Issued - 3,056,310 shares; Outstanding - 2,772,560 shares	61,126	61,126
Additional paid-in capital	10,502,454	10,502,454
Retained earnings	62,478,028	56,211,056
Accumulated other comprehensive loss	(7,572,016)	(9,456,393)
Treasury stock, 283,750 shares, at cost	(2,232,209)	(2,232,209)
Total stockholders' equity	63,237,383	55,086,034
Total liabilities and stockholders' equity	$ 638,675,492	$ 593,693,479

See accompanying notes to consolidated financial statements.

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Statements of Income

As of December 31,	2023	2022
Interest and dividend income:		
Loans, including fees	$ 28,089,456	$ 20,783,772
Debt securities:		
Taxable	1,876,526	1,437,453
Tax-exempt	294,689	336,071
Interest-bearing deposits	1,039,490	515,688
Federal funds sold	209,648	74,977
Dividend income	110,677	60,942
Certificates of deposit	9,841	23,698
Total interest and dividend income	31,630,327	23,232,601
Interest expense:		
Deposits	6,447,609	1,516,087
Borrowed funds	2,155,602	399,585
Finance lease obligations	3,547	7,132
Total interest expense	8,606,758	1,922,804
Net interest income	23,023,569	21,309,797
Provision for credit losses	450,000	450,000
Net interest and dividend income after provision for credit losses	22,573,569	20,859,797
Noninterest income:		
Customer service fees	838,121	764,827
Interchange fees	1,215,384	1,182,142
Loan servicing fees	558,959	787,302
Net gain from sale of loans	360,423	755,060
Income on bank-owned life insurance, net	167,430	166,084
Other	265,125	257,455
Total noninterest income	3,405,442	3,912,870
Noninterest expense:		
Salaries	7,058,599	6,529,744
Employee benefits	2,188,700	2,196,700
Occupancy	1,353,069	1,294,294
Furniture and equipment expenses	357,092	388,915
Computer and technology services	1,202,394	1,480,143
Advertising	279,403	263,767
Net gain (loss) on sale of debt securities available for sale	157,065	-
Foreclosed assets, net	151,558	33,846
Other	3,337,476	2,657,216
Total noninterest expense	16,085,356	14,844,625
Net income before income taxes	9,893,655	9,928,042
Provision for income taxes	3,072,171	2,694,000
Net income	$ 6,821,484	$ 7,234,042

See accompanying notes to consolidated financial statements.

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income (Loss)

As of December 31,	2023	2022
Net income	$ 6,821,484	$ 7,234,042
Other comprehensive income (loss), before tax effect:		
Change in unrealized loss on debt securities available for sale	2,309,014	(13,318,131)
Reclassification adjustment for net loss on debt securities available for sale realized in net income	157,065	-
Other comprehensive income (loss) before tax effect	2,466,079	(13,318,131)
Income tax effect	(581,702)	3,880,903
Other comprehensive income (loss), net of tax	1,884,377	(9,437,228)
Comprehensive income (loss)	$ 8,705,861	$(2,203,186)

See accompanying notes to consolidated financial statements.

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2022	$ 61,126	$ 10,502,454	$ 49,531,526	$ (19,165)	$ (2,232,209)	$ 57,843,732
Net income	-	-	7,234,042	-	-	7,234,042
Other comprehensive loss, net of tax	-	-	-	(9,437,228)	-	(9,437,228)
Dividends to stockholder ($0.20 per share)	-	-	(554,512)	-	-	(554,512)
Balance at December 31, 2022	61,126	10,502,454	56,211,056	(9,456,393)	(2,232,209)	55,086,034
Net income	-	-	6,821,484		-	6,821,484
Other comprehensive income, net of tax	-	-	-	1,884,377	-	1,884,377
Dividends to stockholders ($0.20 per share)	-	-	(554,512)	-	-	(554,512)
Balance at December 31, 2023	$ 61,126	$ 10,502,454	$ 62,478,028	$ (7,572,016)	$ (2,232,209)	$ 63,237,383

See accompanying notes to consolidated financial statements.

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

Years Ended December 31,	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 6,821,484	$ 7,234,042
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	463,750	498,861
Amortization and accretion of bond premiums and discounts, net	400,397	991,144
Amortization of core deposit premium	14,998	17,998
Net loss on sale of debt securities available for sale	157,065	-
Provision for credit losses	450,000	450,000
Net loss on disposal of premises and equipment and other bank-owned property	1,020	74,328
Net loss on sales of foreclosed assets	69,152	68,370
Writedown of foreclosed assets to market value	35,266	-
Deferred tax expense (benefit)	1,274,191	(143,648)
Increase in bank-owned life insurance	(215,930)	(214,584)
Mortgage servicing rights	271,992	64,472
Other Investment market value adjustment	(40,900)	(56,800)
Net change in:		
Other assets	(1,797,664)	(1,106,751)
Other liabilities	826,206	1,993,408
Cash flows from operating activities	8,731,027	9,870,840
Cash flows from investing activities:		
Net change in certificates of deposit	240,340	5,502,040
Purchases of debt securities AFS	(2,342,652)	(35,297,890)
Maturity, call and paydowns of debt securities AFS	14,838,179	20,718,929
Proceeds from sales of debt securities AFS	3,341,083	-
Change of other investments	(525,240)	96,500
Net change in loans	(30,157,457)	(73,651,104)
Purchase of premises and equipment	(418,647)	(216,393)
Proceeds from sales of premises and equipment	-	54,981
Proceeds from sales of foreclosed assets	287,679	489,400
Cash flows from investing activities	(14,736,715)	(82,303,537)

First Berlin Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows (Continued)

Years Ended December 31,	2023	2022
Cash flows from financing activities:		
Change in deposits	$ (16,077,650)	$ 7,247,272
Payments on borrowed funds	(768,520)	(15,738,621)
Proceeds from borrowed funds	52,500,000	2,500,000
Payment of finance lease obligations	(27,372)	(72,992)
Cash dividends paid on common stock	(554,512)	(554,512)
Proceeds from common stock issuance	-	-
Cash flows from financing activities	35,071,946	(6,618,853)
Net change in cash and cash equivalents	29,203,172	(79,051,551)
Cash and cash equivalents at beginning of year	37,315,471	116,367,022
Cash and cash equivalents at end of year	$ 66,518,643	$ 37,315,471

Supplemental cash flow information:

Cash paid during the year for:		
Interest	$ 7,476,571	$ 1,876,306
Income taxes	2,486,760	2,585,779

Noncash investing and financing activities:

Loans transferred to foreclosed assets	$ 290,121	$ -
Lease liabilities arising from obtaining right-of-use assets	684,089	-

Note 1: Summary of Significant Accounting Policies

Organization

First Berlin Bancorp, Inc. (the "Company") provides a variety of financial services to individual and corporate customers through its wholly owned subsidiary, Fortifi Bank (the "Bank"). The Bank is a state-chartered bank providing a full range of financial services, including the granting of agribusiness, commercial, residential, and consumer loans and accepting deposits from customers primarily in central Wisconsin. In addition, the Company is subject to regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, the Bank, and the Bank's subsidiary. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Material estimates that are susceptible to significant change in the near term relate to the determination of the allowance for credit losses, valuation of debt securities available for sale, mortgage servicing rights, deferred tax assets, and foreclosed assets.

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, balances due from banks, interest-bearing deposits in other financial institutions, and federal funds sold, all of which have original maturities of three months or less.

Certificates of Deposit

Certificates of deposit include interest-bearing certificates of deposit at insured financial institutions that have an original maturity greater than three months and are carried at cost.

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives or earliest call date of the debt securities, as applicable. Gains and losses on the sale of debt securities are recorded on the trade date and determined using the specific-identification method.

Effective January 1, 2023, the Company evaluates individual debt securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the debt security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the debt security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the debt security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the debt security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income or loss.

The Company excludes accrued interest receivable from the amortized cost basis of debt securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on debt securities available for sale totaling $337,927 and $405,387 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of debt securities available for sale. Accrued interest on debt securities is included in other assets on the Company’s balance sheet.

Prior to January 1, 2023, declines in fair value of debt securities that were deemed to be other than temporary, if applicable, were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considered the length of time and the extent to which fair value had been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Marketable Equity Securities

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific-identification method.

Note 1: Summary of Significant Accounting Policies (Continued)

Other Investments

Other investments include equity securities without a readily determinable fair value, including Bankers' Bancorporation stock and Federal Home Loan Bank (FHLB) stock. The Company has elected to account for equity securities without a readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock as a member of the FHLB, and transfer of the stock is substantially restricted. Members are required to own certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is evaluated for impairment on a periodic basis. FHLB stock is pledged as collateral for outstanding FHLB advances.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold. The Company had no loans held for sale as of December 31, 2023 and 2022.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, and the allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance. Management has concluded the capitalization of the amount of net deferred fees and costs in originating all other loans are immaterial to the consolidated financial statements.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses

On January 1, 2023 the Company adopted ASU No. 2016-13 Financial Instruments – *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective approach, as further described in Recently Adopted Accounting Standards. Adoption of the standard resulted in changes to our debt securities available-for-sale and allowances for credit losses policies as presented below. Refer to the "New Accounting Pronouncements" section of this note for more information on the impact to the consolidated financial statements.

Allowance for Credit Losses

Under the current expected credit loss ("CECL") model, the allowance for credit losses ("ACL") on financial assets is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the financial assets' amortized cost basis to present the net amount expected to be collected on the financial assets. The CECL model also applies to certain off-balance sheet credit exposures.

The Company estimates the allowance for credit losses on loans based on the underlying assets' amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to write-off accrued interest receivable by reversing interest income at the time of this determination. Therefore, the Company has made a policy election to exclude accrued interest from the amortized cost basis and therefore excludes it from the measurement of the allowance for credit losses.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The Company's estimate of the allowance for credit losses reflects credit losses currently expected over the remaining contractual life of the assets. When the Company deems all or a portion of a financial asset to be uncollectible, the appropriate amount is written off and the allowance for credit losses is reduced by the same amount. The Company applies judgement to determine when a financial asset is deemed uncollectible. When available information confirms that specific financial assets, or portions thereof, are uncollectible, these amounts are charged off against the allowance for credit losses. Subsequent recoveries, if any, are credit to the allowance for credit losses when received.

The Company measures the allowance for credit losses on financial assets on a collective portfolio segment basis when the financial assets share similar risk characteristics. The Company has identified the following portfolio segments of financial assets with similar risk characteristics measuring expected credit losses: commercial real estate and construction, commercial C&I, agricultural, residential real estate and consumer and other. The Company further segments the commercial loan portfolio by risk rating and the residential and consumer portfolio by delinquency.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

The Company utilizes the weighted average maturity (WARM) methodology to measure the ACL. This methodology incorporates both qualitative and quantitative information to assess lifetime expected credit losses at the portfolio segment level. The quantitative component includes the calculation of loss rates that are based on historical lookback periods. The Company calculates a loss rate based on the historical loan level loss experience for portfolio segments with similar risk characteristics. The historical loss rate is adjusted for select macroeconomic variables that consider both historical trends as well as forecasted trends. The Company measures expected credit losses of these financial assets by applying loss rates to the amortized cost basis of each asset taking into consideration amortization, prepayment and default assumptions.
The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling $1,957,945 and $1,629,894 at December 31, 2023 and 2022, respectively, was excluded from the amortized cost basis of loans and is included in other assets on the Company's consolidated balance sheet.

The Company considers qualitative adjustments to expected credit loss estimates for information not already captured in the loss estimation process. Qualitative factor adjustments may increase or decrease management's estimate of expected credit losses. Adjustments will not be made for information that has already been considered and included in the quantitative component. Qualitative loss factors are based on management's judgement of company, market, industry or business specific data, changes in loan composition, performance trends, regulatory changes, uncertainty of macroeconomic forecasts, and other specific risk characteristics. The Company also may adjust loss rates based on its reasonable and supportable forecasts of how economic conditions are expected to impact future losses. Management has elected to forecast over a 24-month period with immediate reversion after the forecast period.

Collateral Dependent Financial Assets

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans, collateral dependent loans and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

For collateral dependent financial assets where the Company has determined the borrower is experiencing financial difficulty and that liquidation of the collateral is probable, the allowance for credit losses is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Fair value is generally calculated based on the value of the underlying collateral less estimated costs to sell.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

Loan Commitments and Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

Financial assets include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The Company's exposure to loan credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet exposures through a charge to provision for credit losses for off-balance sheet credit exposures. The allowance for credit losses on off-balance sheet credit exposures is estimated by portfolio segment at each balances sheet date under the CECL model using the same methodologies as portfolio loans, taking into consideration management's assumptions of the likelihood that funding will occur, and is included in the reserve for unfunded commitments on the Company's consolidated balance sheets.

Management considers the following when assessing risk in the Company's loan portfolio segments:

- Commercial real estate and construction loans. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, multi-family (five or more units of apartments or condos) and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.
- Commercial and industrial loans are primarily for working capital, physical asset expansion, asset acquisition loans, and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.
- Agricultural loans are primarily for land acquisition and farm production. These loans are primarily secured by agricultural land, equipment, crops or livestock.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

- Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.
- Consumer and other loans may take the form of installment loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Under the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Subsequent to the adoption of ASC 326:

Prior to January 1, 2023 the Company used an incurred loss impairment model to estimate the allowance for credit losses on loans. This methodology assessed the overall appropriateness of the allowance for credit losses on loans and included allocations for specifically identified impaired loans and loss factors for all remaining loans, with a component primarily based on historical loss rates and another component primarily based on other qualitative factors.

Under the incurred loss impairment model, the specific component of the allowance related to loans that were individually classified as impaired. A loan was considered impaired when, based on current information and events, it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement. Prior to adoption of ASU No. 2022-02, loans for which the terms had been modified resulting in a concession, and for which the borrower was experiencing financial difficulties, were considered troubled debt restructurings (TDRs) and were classified as impaired.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan net of the specific allocation equals the present value of estimated future cash flows using the loan’s existing rate or the fair value of underlying collateral less applicable estimated selling costs if repayment is expected solely from the collateral.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan’s original effective rate. If a TDR is considered to be a collateral dependent loan, the loan is measured at the fair value of the collateral less applicable estimated selling costs. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment and, accordingly, they are not included in the separately identified impairment disclosures. The general allowance component also includes loans that are not individually identified for impairment evaluation, such as those loans that are individually evaluated, but are not considered impaired.

The general component is based on historical loss experience adjusted for current qualitative factors. The historical loss experience is determined by portfolio segment or loan class and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other qualitative factors based on the risks present for each portfolio segment or loan class. These qualitative factors include: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Note 1: Summary of Significant Accounting Policies (Continued)

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, which range from 15 to 40 years for buildings and 3 to 10 years for furniture and equipment.

ASC 842 Lease Accounting

The Company is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Company's incremental borrowing rate. The Company uses the incremental borrowing rate based on the information that is available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e. present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in the short-term lease expense. The Company recognizes short-term lease costs on a straight-line basis over the lease term.

Note 1: Summary of Significant Accounting Policies (Continued)

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or the fair value less estimated costs to sell at the date of foreclosure. At date of acquisition, losses are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations, gains (losses) on sales, and changes in the valuation allowance are included in net expenses from foreclosed assets.

Bank-Owned Life Insurance

The Company has purchased split-dollar life insurance policies on certain key employees. Bank-owned life insurance is recorded at its cash surrender value or the amount that can be realized. In addition, the Company has recorded a liability during the service periods for key employees for split-dollar life insurance agreements which continue after the participants' employment terminates at retirement. The required accrued liability is based on the post-retirement benefit cost for the continuing life insurance.

Mortgage Servicing Rights

The Company services mortgage loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services as well as fees and interest income from ancillary sources, such as late fees and float. Servicing fees, late fees, and other ancillary income earned each year, net of any amortization expense and impairment charges discussed below, are reported in the consolidated statements of income as a component of loan servicing fee income.

Mortgage servicing rights are recognized as separate assets when rights are acquired through sale of mortgage loans into the secondary market. Mortgage servicing rights acquired through sale of loans are recognized as a component of loan servicing fees and are recorded at their relative fair value. Mortgage servicing rights are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Note 1: Summary of Significant Accounting Policies (Continued)

Mortgage Servicing Rights (Continued)

Mortgage servicing rights are evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes stratifying the mortgage servicing rights by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum. Impairment, if any, is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the carrying amount for the stratum.
The fair value of each servicing rights stratum is evaluated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that stratum, given current market conditions. Estimates of fair value include primarily assumptions about prepayments, discount rates, default rates, and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of mortgage servicing rights, and the related valuation allowance, to change significantly in the future.

Intangible Assets

Intangible assets are attributable to the value of ongoing customer relationships, or core deposits, arising from branch acquisitions and are included in other assets on the consolidated balance sheets. These assets are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 10 years. The Company evaluates intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes assessing the estimated fair value of the asset based on market prices for similar assets, where available, and the present value of estimated future cash flows associated with the asset. Adjustments are recorded if it is determined that the benefit of the asset has decreased.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the current enacted tax rates, which will be in effect when these differences are expected to reverse. Provision for deferred taxes is the result of changes in the deferred tax assets and liabilities.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (continued)

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes. No liabilities for unrecognized tax benefits from uncertain positions have been recorded.

Revenue from Contracts with Customers

The core revenue recognition principle requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligation(s) within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) within the contract; and (5) recognize revenue when (or as) the performance obligation(s) are/is satisfied.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition (ASC 606) that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing fees and sales of loans, fees related to loans and loan commitments, income on bank-owned life insurance, and gain (loss) on sales of loans and debt securities.

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as ATM use fees, wires, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (Continued)

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods

Net gain (loss) on sales of foreclosed assets – The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is comprised of the unrealized gains and losses on debt securities available for sale, net of tax, and is shown as a separate component of equity.

Reclassification adjustments out of other comprehensive income (loss) for (gains) losses realized on sales of debt securities available for sale comprise the entire balance of "Net gain (loss) on sale of debt securities available for sale" on the consolidated statements of income. As part of this reclassification, income tax expense of $32,984 at December 31, 2023, and $0 at December 31, 2022, was recognized in "Provision for income taxes" on the consolidated statements of income.

Off-Balance-Sheet Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Profit-Sharing Plan

The Company has established a 401(k) profit-sharing plan. Employees are eligible to enroll in this profit-sharing plan the 1st of the month following three months of employment. Employees must work a full quarter to be eligible. This means they are eligible the beginning of the first new quarter following three full months of employment. Profit-sharing is typically paid out the month following the end of the quarter. Employees who terminate employment for any reason must work the full quarter in order to be paid profit sharing for the quarter.

Rate Lock Commitments

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

New Accounting Pronouncements

The Company recently adopted the following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB).

A ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. In March 2022, the FASB issued ASU 2022-02 *Financial Instruments – Credit Losses (Topis 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance for troubled debt restructurings by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, ASU 2022-02 requires that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses*. The company adopted ASU 2016-13 and ASU 2022-02 as of January 1, 2023 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. The adoption of ASU 2016-13 resulted in an initial decrease of $378,000 to the allowance for credit losses for loans and the establishment of a $378,000 allowance for credit losses for unfunded loan commitments. The allowance for credit losses for unfunded loan commitments is included in reserve for unfunded commitments on the Company's Consolidated Balance Sheets. There was no adjustment to retained earnings as of January 1, 2023.

Subsequent Events

Subsequent events have been evaluated through March 20, 2024, which is the date the consolidated financial statements were available to be issued.

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 classifications.

Note 2: Cash and Cash Equivalents

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances in noninterest-bearing transaction accounts with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

Note 3: Certificates of Deposit

The scheduled maturities of certificates of deposit at December 31, 2023, are summarized as follows:

Due in one year or less	$	260,497
Due after one year through five years	$	-
Total	$	260,497

Note 4: Debt Securities

The amortized cost and estimated fair value of debt securities with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2023				
Debt securities available for sale:				
U.S. treasury notes and bonds	$ 11,095,940	$ -	$ 755,725	$ 10,340,215
U.S. sponsored agencies	7,875,444	-	1,101,691	6,773,753
Obligations of states and political subdivisions	22,398,117	-	2,882,725	19,515,392
Corporate bonds	2,362,756	-	95,933	2,266,823
Pooled SBA loans	4,495	-	38	4,457
U.S. agency residential mortgage-backed securities	17,977,117	-	1,844,322	16,132,795
U.S. agency collateralized debt obligations	42,616,477	-	4,198,664	38,417,813
Total debt securities available for sale	$ 104,330,346	$ -	$ 10,879,098	$ 93,451,248
2022				
Debt securities available for sale:				
U.S. treasury notes and bonds	$ 12,825,327	$ -	$ 1,101,850	$ 11,723,477
U.S. sponsored agencies	8,884,483	-	1,255,066	7,629,417
Obligations of states and political subdivisions	26,339,019	793	3,531,628	22,808,184
Corporate bonds	-	-	-	-
Pooled SBA loans	41,289	-	220	41,069
U.S. agency residential mortgage-backed securities	21,379,657	-	2,301,743	19,077,914
U.S. agency collateralized debt obligations	51,254,643	-	5,155,463	46,099,180
Total debt securities available for sale	$ 120,724,418	$ 793	$ 13,345,970	$ 107,379,241

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of securities.

Note 4: Debt Securities (Continued)

The following tables show the fair value and gross unrealized losses of debt securities with unrealized losses at December 31, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2023						
U.S. treasury notes & bonds	$ -	$ -	$ 10,340,215	$ 755,725	$ 10,340,215	$ 755,725
U.S. sponsored agencies	-	-	6,773,753	1,101,691	6,773,753	1,101,691
Obligations of states and political subdivisions	1,150,984	35,074	18,364,408	2,847,651	19,515,392	2,882,725
Corporate bonds	2,266,823	95,933	-	-	2,266,823	95,933
Pooled SBA loans	-	-	4,457	38	4,457	38
U.S. agency residential mortgage-backed securities	934,211	3,738	15,198,584	1,840,584	16,132,795	1,844,322
U.S. agency collateralized debt obligations	-	-	38,417,813	4,198,664	38,417,813	4,198,664
Totals	$ 4,352,018	$ 134,745	$ 89,099,230	$ 10,744,353	$ 93,451,248	$ 10,879,098
2022						
U.S. treasury notes & bonds	$ -	$ -	$ 11,723,477	$ 1,101,850	$ 11,723,477	$ 1,101,850
U.S. sponsored agencies	590,096	37,737	7,039,321	1,217,329	7,629,417	1,255,066
Obligations of states and political subdivisions	8,812,048	457,557	13,656,916	3,074,071	22,468,964	3,531,628
Corporate bonds	-	-	-	-	-	-
Pooled SBA loans	41,069	220	-	-	41,069	220
U.S. agency residential mortgage-backed securities	10,817,280	834,958	8,260,634	1,466,785	19,077,914	2,301,743
U.S. agency collateralized debt obligations	18,969,346	2,020,074	27,129,834	3,135,389	46,099,180	5,155,463
Totals	$ 39,229,839	$ 3,350,546	$ 67,810,182	$ 9,995,424	$107,040,021	$ 13,345,970

Note 4: Debt Securities (Continued)

The following table shows the aggregated depreciation of debt securities available for sale in an unrealized loss position as of December 31, 2023:

	Number of Securities	Aggregate Depreciation
U.S. treasury notes & bonds	22	6.8%
U.S. sponsored agencies	25	14.0%
Obligations of states and political subdivisions	99	12.9%
Corporate bonds	1	4.1%
Pooled SBA loans	1	0.8%
U.S. agency residential mortgage-backed securities	53	10.3%
U.S. agency collateralized debt obligations	200	9.9%

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In reaching the conclusion that an allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated where applicable, the issuer continues to make contractual payments, and the quality of any underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Company expects to recover the amortized cost basis of these securities before they are sold or mature.

Note 4: Debt Securities (Continued)

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2023. Contractual maturities will differ from expected maturities for pooled SBA loans, residential mortgage-backed securities, and collateralized debt obligations because borrowers may have the right to call or prepay obligations without penalties. Therefore, these securities are not included in the maturity categories in the following maturity summary.

The amortized cost and estimated fair value of debt securities at December 31, 2023 follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,762,114	$ 1,722,440
Due after one year through five years	19,592,632	18,163,736
Due after five years through ten years	17,333,209	15,032,058
Due after ten years	5,044,302	3,977,949
Subtotal	43,732,257	38,896,183
Pooled SBA loans	4,495	4,457
U.S. agency residential mortgage-backed securities	17,977,117	16,132,795
U.S. agency collateralized debt obligations	42,616,477	38,417,813
Totals	$ 104,330,346	$ 93,451,248

The following is a summary of the proceeds from sales of debt securities available for sale, as well as gross gains and losses for the year ended December 31:

	2023	2022
Proceeds from sales of securities	$ 3,341,083	$ -
Gross gains on sales	-	-
Gross losses on sales	157,065	-

As of December 31, 2023 and 2022, the amortized cost of securities pledged to secure public deposits, borrowings, and for other purposes required or permitted by law was $59,495,116 and $31,159,626 respectively. The estimated fair value was $53,340,682 and $27,794,301 as of December 31, 2023 and 2022, respectively.

Note 5: Other Investments

Other investments comprise the following as of December 31, 2023 and 2022:

	2023	2022
FHLB Stock	$ 1,918,740	$ 1,393,500
Bankers' Bancorporation Stock	626,800	585,900
Total	$ 2,545,540	$ 1,979,400

Bankers' Bancorporation stock is considered an equity security without a readily determinable fair value and was purchased in 2021. The following table details changes in the carrying amount of Bankers' Bancorporation stock, both annually and cumulatively, as of and for the year ended December 31:

	2023	2022	Life-to-Date Adjustments as of December 31, 2023
Carrying value, end of year	$ 626,800	$ 585,900	-
Impairments and downward adjustments	-	-	97,700
Upward adjustments	40,900	56,800	.

Note 6: Loans

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2023	2022
Commercial:		
Real estate and construction	$ 276,732,034	$ 267,470,374
Industrial and other	66,469,346	58,345,282
Agricultural	6,654,591	5,648,421
Residential real estate	99,596,538	89,331,155
Consumer and other	7,645,224	6,507,779
Subtotals	457,097,733	427,303,011
Less - Allowance for credit losses	5,157,237	5,157,851
Loans, net	$ 451,940,496	$ 422,145,160

The Company’s allowance for credit losses on loans information for the year ended December 31, 2023 is presented under ASC 326. The Company’s allowance for credit losses on loans information for the year ended December 31, 2022 is presented under the incurred loss impairment model. Refer to the “New Accounting Pronouncements” section of Note 1 for more information.

Note 6: Loans (Continued)

A summary of activity in the allowance for credit losses on loans by portfolio segment follows:

	Commercial	Residential real estate	Consumer and other	Total
December 31, 2023				
Allowance for credit losses for loans				
Beginning balance	$ 4,462,948	$ 586,773	$ 108,130	$ 5,157,851
Provision for credit losses	$53,879	$107,965	$288,156	$450,000
Impact of adoption of ASU NO. 2016-13 (ASC 326)	(287,000)	(1,000)	(90,000)	(378,000)
Loans charged-off	(105,447)	-	(19,591)	(125,038)
Recoveries	40,149	-	12,275	52,424
Ending balance	$4,164,529	$693,738	$298,970	$ 5,157,237
Allowance for credit losses at December 31, 2023				
Individually evaluated	$ 362,000	$ -	$ 12,000	$ 374,000
Collectively evaluated	$3,802,529	$693,738	$286,970	$4,783,237
Totals	$4,164,529	$693,738	$298,970	$5,157,237

	Commercial	Residential real estate	Consumer and other	Totals
Loans at December 31, 2023:				
Individually evaluated	$ 4,725,906	$ 283,256	$ 20,362	$ 5,029,524
Collectively evaluated	345,130,065	99,313,282	7,624,862	452,068,209
Total loans	$ 349,855,971	$ 99,596,538	$ 7,645,224	$ 457,097,733

At December 31, 2023, the Company maintained a reserve for unfunded loan commitments totaling $378,000, which is included in reserve for unfunded commitments on the Company's consolidated balance sheets.

Note 6: Loans (Continued)

Analysis of the allowance for credit losses for the years ended December 31, 2022

	Commercial	Residential real estate	Consumer and other	Total
Balance at December 31, 2021	4,192,138	492,367	75,814	4,760,319
Provision for credit losses	221,031	94,406	134,563	450,000
Loans charged off	-	-	(113,778)	(113,778)
Recoveries of loans previously charged off	49,779	-	11,531	61,310
Balance at December 31, 2022	$ 4,462,948	$ 586,773	$ 108,130	$ 5,157,851
Allowance for loan losses at December 31, 2022:				
Individually evaluated	$ 260,000	$ -	$ -	$ 260,000
Collectively evaluated	4,202,948	586,773	108,130	4,897,851
Totals	$ 4,462,948	$ 586,773	$ 108,130	$ 5,157,851

A summary of the allowance for loan losses for loans evaluated individually and collectively for impairment at amortized cost prior to the adoption of CECL is presented below as of December 31, 2022.

	Commercial	Residential real estate	Consumer and other	Totals
Loans at December 31, 2022:				
Individually evaluated	$ 6,141,883	$ 613,805	$ 14,948	$ 6,770,636
Collectively evaluated	325,322,194	88,717,350	6,492,831	420,532,375
Total loans	$ 331,464,077	$ 89,331,155	$ 6,507,779	$ 427,303,011

Note 6: Loans (Continued)

The following table presents the amortized cost of the Company's loans on nonaccrual status as of December 31. One residential real estate loan was over 90 days past due but not yet moved to nonaccrual status. This loan was 91 days past due as of December 31, 2023 in the amount of $197,020 and was moved to nonaccrual shortly after year end.

	2023	2022
Real estate and construction	$ 2,181,121	$ 456,801
Industrial and other	209,232	2,004,469
Residential real estate	283,256	613,452
Consumer and other	20,362	13,572
Total nonaccrual loans	$ 2,693,971	$ 3,088,294
Total nonaccrual loans to total loans	0.59%	0.72%
Total nonaccrual loans to total assets	0.42%	0.52%

The Company had $2,693,971 of loans that were in nonaccrual status as of December 31, 2023. The corresponding allowance for credit losses for commercial real estate and construction loans was $232,000 on $2,040,960 of outstanding principal and $12,000 allowance for credit loss on $12,800 of consumer and other loans.

There was no interest income recognized on loans in a nonaccrual status for the years ended December 31, 2023 and December 31, 2022.

The table below summarizes collateral dependent loans and the related ACL at December 31, 2023 for which the borrower is experiencing financial difficulty.

	Loans	ACL
Real estate and construction	$ 2,181,121	$ 232,000
Industrial and other	763,629	130,000
Residential real estate	283,256	-
Consumer and other	20,362	12,000
Total nonaccrual loans	$ 3,248,368	$ 374,000

There was no accrued interest written off during the years ended December 31, 2023 or December 31, 2022.

Note 6: Loans (Continued)

Information regarding impaired loans at amortized cost, prior to the adoption of CECL is presented below for the year ended December 31, 2022

	Recorded Investment	Principal Balance	Related Allowanc	Average Investment	Interest Recognized
2022					
Loans with no related allowance for loan losses:					
Commercial - Real estate and construction	$ 1,106,087	$ 1,106,087	N/A	$ 1,131,570	$ 37,525
Commercial - Industrial and other	1,939,303	1,939,303	N/A	2,072,362	20,594
Commercial - Agricultural	12,337	12,337	N/A	18,093	1,533
Residential real estate	613,805	613,805	N/A	620,912	11,241
Consumer and other	14,948	14,948	N/A	18,863	-
Total	3,686,480	3,686,480	N/A	3,861,800	70,893
Loans with an allowance for loan losses:					
Commercial - Real Estate and Construction	2,686,124	2,686,124	76,000	2,790,900	166,888
Commercial - Industrial and other	398,032	398,032	184,000	413,695	11,280
Totals	3,084,156	3,084,156	260,000	3,204,595	178,168
Grand total	$ 6,770,636	$ 6,770,636	$260,000	$ 7,066,395	$ 249,061

There was $185,376 of additional funds committed to be advanced in connection with impaired loans as of December 31, 2022.

Note 6: Loans (Continued)

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the class of loan.

Commercial loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectibility of the contractual loan payments is highly probable.

- "Watch/special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectibility of the contractual loan payments is still probable.

- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility of the contractual loan payments is no longer probable.

- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectibility of the contractual loan payments is unlikely.

Residential real estate loans for investment purpose are rated similarly to commercial loans.

Residential real estate with consumer purpose and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan. The Company considers residential real estate, consumer, and other loans that are on nonaccrual status, over 90 days past due, have been identified as a delinquency problem to be classified or non-performing.

Note 6: Loans (Continued)

The following table presents the amortized cost basis of our loans by credit quality indicator and origination year as of December 31, 2023:

December 31, 2023	Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Real Estate and construction								
Pass	$56,368,583	$ 74,699,406	$55,107,044	$25,658,599	$ 8,560,876	$19,873,594	$ 376,277	$ 240,644,378
Watch	1,373,462	6,355,122	7,273,290	5,164,717	670,311	685,278	-	21,522,179
Special mention		1,810,051	-	-	8,842,414		-	10,652,465
Substandard	1,022,358	140,160	528,345	293,799	1,928,350		-	3,913,012
Total	$58,764,402	$ 83,004,739	$62,908,679	$31,117,115	$20,001,950	$20,558,871	$ 376,277	$ 276,732,034
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 39,853	$ -	$ 39,853
Industrial & Other								
Pass	$13,473,992	$ 8,583,390	$ 5,758,814	$ 2,921,376	$ 525,513	$ 2,957,952	$ 17,908,927	$ 52,129,964
Watch	2,551,032	1,139,152	-	3,001,547	13,107	60,115	6,491,899	13,256,852
Special mention	70,628	200,000	-	-	-	-	-	270,628
Substandard	24,682	20,000	-	68,772	9,109	615,476	73,863	811,902
Total	$16,120,333	$ 9,942,542	$ 5,758,814	$ 5,991,695	$ 547,729	$ 3,633,543	$ 24,474,689	$ 66,469,346
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ 65,594	$ -	$ -	$ 65,594
Agricultural								
Pass	$ 1,204,184	$ 322,568	$ 12,939	$ 643,442	$ 1,289,389	$ 1,412,539	$ 887,509	$ 5,772,570
Watch	179,486	-	-	-	700,043	-	-	879,529
Special mention	-	-	-	-	-	-	-	-
Substandard	2,492	-	-	-	-	-	-	2,492
Total	$ 1,386,162	$ 322,568	$ 12,939	$ 643,442	$ 1,989,432	$ 1,412,539	$ 887,509	$ 6,654,591
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate								
Pass	$17,999,282	$ 23,359,370	$10,494,610	$ 7,623,293	$ 2,957,935	$12,653,912	$ 24,179,287	$ 99,267,689
Watch	-	-	-	47,284	-	16,675	-	63,959
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	16,301	-	41,014	207,575	-	264,890
Total	$17,999,282	$ 23,359,370	$10,510,911	$ 7,670,577	$ 2,998,948	$12,878,162	$ 24,179,287	$ 99,596,538
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer and other								
Pass	$ 3,578,746	$ 1,970,177	$ 580,547	$ 208,301	$ 98,563	$ 755,710	$ 432,819	$ 7,624,862
Substandard		4,070	2,888		13,404			20,362
Total	$ 3,578,746	$ 1,974,247	$ 583,434	$ 208,301	$ 111,967	$ 755,710	$ 432,819	$ 7,645,224
Current period gross charge-offs	$ 19,591	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,591
Total Loans	$97,848,925	$ 118,603,467	$79,774,778	$45,631,130	$25,650,027	$39,238,825	$ 50,350,581	$ 457,097,733

Note 6: Loans (Continued)

A summary of the credit quality indicators as of December 31, 2022, at amortized cost, prior to the adoption of CECL is presented below:

	Pass	Watch/Special Mention	Substandard	Doubtful	Totals
Commercial - Real estate and construction	$ 238,685,242	$ 25,017,042	$ 3,768,090	$ -	$ 267,470,374
Commercial - Industrial and other	40,715,895	15,626,352	2,003,035	-	58,345,282
Commercial - Agricultural	4,894,358	741,726	12,337	-	5,648,421
Totals	$ 284,295,495	$ 41,385,120	$ 5,783,462	$ -	$ 331,464,077

	Performing	Non-performing	Totals
Residential real estate	$ 88,717,703	$ 613,452	$ 89,331,155
Consumer and other	6,494,207	13,572	6,507,779
Totals	$ 95,211,910	$ 627,024	$ 95,838,934

Note 6: Loans (Continued)

Loan aging information as of December 31 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2023				
Commercial - Real estate and construction	$ 276,479,263	$ -	$ 252,770	$ 276,732,034
Commercial - Industrial and other	66,027,653	232,461	209,232	66,469,346
Commercial - Agricultural	6,636,406	18,185	-	6,654,591
Residential real estate	98,911,575	237,008	447,956	99,596,538
Consumer and other	7,611,579	13,809	19,836	7,645,224
Totals	$ 455,666,476	$ 501,463	$ 929,794	$ 457,097,733

	Accruing				
	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Nonaccrual Loans	Total Loans
2022					
Commercial - Real estate and construction	$ 264,539,162	$ 2,474,411	$ -	$ 456,801	$ 267,470,374
Commercial - Industrial and other	56,254,870	85,943	-	2,004,469	58,345,282
Commercial - Agricultural	5,648,421	-	-	-	5,648,421
Residential real estate	87,775,480	845,515	96,708	613,452	89,331,155
Consumer and other	6,472,342	21,865	-	13,572	6,507,779
Totals	$ 420,690,275	$ 3,427,734	$ 96,708	$ 3,088,294	$ 427,303,011

Note 6: Loans (Continued)

The adoption of ASU 2022-02 eliminated troubled debt restructurings (TDR's) recognition and measurement guidance, as well as TDR related disclosures. Refer to Note 1 for additional information. TDR's were loan modifications where concessions were granted to borrowers that were experiencing financial difficulties. The Company did not modify any loans to borrowers that are experiencing financial difficulty and did not have any previous modification that were made during the past 12 months that experienced a payment default during the 12 months ended December 31, 2023.

There were no modifications of loans that are classified as TDRs during the year ended December 31, 2022.

Directors, executive officers, and principal stockholders of the Company, including their families and firms in which they are principal owners, are considered to be related parties. Substantially, all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features.

A summary of loans to directors, executive officers, and their affiliates as of December 31 is as follows:

	2023	2022
Balance at beginning	$ 3,754,130	$ 2,792,166
Adjustments due to changes in directors, executive officers, and/or principal stockholders	-	182,177
New loans	4,816,012	1,203,673
Repayments	(1,686,778)	(423,886)
Balance at end	$ 6,883,363	$ 3,754,130

Note 7: Mortgage Servicing Rights

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others totaled $297,890,373 and $306,166,922 at December 31, 2023, and 2022, respectively. In addition, the Company maintained custodial balances in connection with the foregoing loan servicing of $629,430 and $713,824 at December 31, 2023, and 2022, respectively.

The following is a summary of changes in the balance of mortgage servicing rights for the years ended December 31:

	2023	2022
Balance at beginning of year	$ 2,098,198	$ 2,162,670
Additions	204,412	358,397
Amortization	(476,404)	(538,564)
Change in valuation allowance	-	115,695
Balance at end of year	$ 1,826,206	$ 2,098,198
Estimated fair value at beginning of year	$ 3,621,000	$ 2,662,000
Estimated fair value at end of year	$ 3,539,000	$ 3,621,000

A summary of changes in the valuation allowance for mortgage servicing rights at December 31 is as follows:

	2023	2022
Balance at beginning	$ -	$ (115,695)
Additions	-	-
Reversals	-	115,695
Balance at end	$ -	$ -

The estimated fair value of mortgage servicing rights is determined using a valuation model that calculates the present value of expected future servicing and ancillary income, net of expected servicing costs. The model incorporates various assumptions, such as discount rates, prepayment speeds, default rates, and ancillary income and servicing costs. At December 31, 2023, the model used discount rates at approximately 10% and prepayment speeds ranging from 6% to 7%, and a weighted average default rate of 0.27%, all of which were based on market data from independent organizations.

At December 31, 2022, the model used discount rates at approximately 9.5% and prepayment speeds ranging from 6% to 7%, both of which were based on market data from independent organizations, and a weighted average default rate of 0.29%.

Note 8: Premises and Equipment

Premises and equipment consisted of at December 31:

	2023	2022
Land and buildings	$ 7,007,989	$ 6,947,543
Furniture and equipment	4,420,705	4,081,945
Subtotal	11,428,694	11,029,488
Less - Accumulated depreciation	6,285,605	5,840,276
Premises and equipment, net	$ 5,143,089	$ 5,189,212

Depreciation and amortization of premises and equipment charged to operating expense totaled $463,750 and $498,861 for 2023 and 2022, respectively.

Note 9: Leases

The Company leases five branch facilities, office equipment and information technology equipment. The leases expire at various periods through June 2028 with the majority of leases entered into including one or more options to renew. The exercise of the lease renewal options is at the Company's sole discretion. Renewal option periods are included in the Right-of-Use Asset (ROU asset) and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases on facilities, variable payments. The Company pays for real estate taxes on two of the facilities, and insurance and maintenance costs under all lease agreements. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Note 9: Leases (Continued)

Components of lease expense were as follows for the year ended December 31,:

	2023	2022
Lease cost		
Finance lease cost		
Amortization of right-of-use assets	$ 27,372	$ 63,540
Interest on lease liabilities	3,547	7,132
Operating lease cost	269,704	264,704
Variable lease cost	22,461	18,766
Total lease cost	$ 323,084	$ 354,142

	2023	2022
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 3,547	$ 7,132
Operating cash flows from operating leases	$ 268,325	$ 260,886
Financing cash flows from finance leases	$ 27,372	$ 72,993
Right-of-use assets obtained in exchange for new finance lease liabilities	$ -	$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 684,089	$ 790,909

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows as of December 31,:

Operating leases	2023	2022
Operating lease right-of-use assests (included in Other asssets)	$ 940,459	$ 534,546
Operating lease liabilities (included in Other liabilities)	$ 942,907	$ 537,766
Finance leases		
Premises and equipment, net	$ 28,506	$ 54,043
Lease obligations - Finance leases	$ 32,068	$ 59,440

Supplemental other information related to leases is as follows for the year ended December 31,:

	2023	2022
Weighted-average remaining lease term - Finance leases	1.0 Years	2.0 Years
Weighted-average remaining lease term - Operating leases	4.1 Years	3.5 Years
Weighted-average discount rate - Finance leases	7.59%	7.59%
Weighted-average discount rate - Operating leases	3.51%	1.33%

Note 9: Leases (Continued)

Future minimum rental payments under noncancelable lease terms as of December 31, 2023 and December 31, 2022, are as follows:

December 31,	Operating	Finance	Total
2024	$ 280,813	$ 30,919	$ 311,732
2025	253,341	2,577	255,918
2026	191,415		191,415
2027	179,415		179,415
2028	111,707		111,707
Thereafter	0		0
Total lease payments	1,016,691	33,496	1,050,187
Less imputed interest	(73,784)	(1,428)	(75,212)
Total	$ 942,907	$ 32,068	$ 974,975

Note 10: Foreclosed Assets

An analysis of the activity in foreclosed assets for the years ended December 31:

	2023	2022
Balance at beginning	$ 353,895	$ 911,666
Foreclosed assets acquired	290,121	-
Sales of foreclosed assets	(356,830)	(557,771)
Impairments recognized	(35,266)	-
Balance at end of year	$ 251,920	$ 353,895

Expenses related to foreclosed assets include the following for the years ended December 31:

	2023	2022
Net loss on sales of foreclosed assets	$ 69,152	$ 68,370
Impairments recognized	35,266	-
Operating expenses, net of rental income	47,140	(34,524)
Total expense	$ 151,558	$ 33,846

Foreclosed assets consist of residential real estate properties totaling $0 and $0 and commercial real estate properties of $251,920 and $353,895 at December 31, 2023 and 2022, respectively.

Residential real estate loans that are in the process of foreclosure totaled approximately $94,196 and $0 at December 31, 2023, and 2022, respectively.

Note 11: Intangible Asset

The gross carrying amount and accumulated amortization of the intangible asset for the years ended December 31 are as follows:

	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit premium	$ 392,114	$ (392,114)	$ 392,114	$ (377,116)

The aggregate amortization expense was $14,998 and $17,998 for the years ended December 31, 2023 and 2022, respectively. The net carrying value of the core deposit premium is included in other assets on the consolidated balance sheets.

Note 12: Deposits

Deposits consisted of at December 31:

	2023	2022
Non-interest-bearing demand	$ 148,661,247	$ 158,310,701
Interest-bearing demand	88,078,256	87,032,138
Savings	78,228,981	88,872,825
Money market	135,163,615	144,789,957
Time	59,880,857	47,084,985
Total deposits	$ 510,012,956	$ 526,090,606

Time deposits that met or exceeded the FDIC's insurance limit of $250,000 or more totaled $13,349,231 and $9,767,683 at December 31, 2023, and 2022, respectively.

The scheduled maturities of time deposits at December 31, 2023, are summarized as follows:

2024	$ 57,732,212
2025	1,803,914
2026	250,333
2027	74,694
2028	19,704
Total	$ 59,880,857

Deposits from directors, executive officers, and their affiliates totaled $5,027,404 and $5,830,106 at December 31, 2023, and 2022, respectively.

The Company has one customer with a deposit balance in excess of 5% of total deposits, amounting to $51,624,670 and $51,583,921 at December 31, 2023, and 2022, respectively.

Note 13: Borrowed Funds

The Company has a $1,000,000 line of credit agreement with another community bank. The line of credit bears interest at the Wall Street Journal prime rate plus 0.25% percentage points, with a floor of 3.95%. Interest is payable quarterly, and the line matures on April 5, 2024. The line is secured by the Bank's stock. At December 31, 2023 and 2022, the balance was $0.

The line of credit agreement also places various financial covenants upon the Company during the borrowing term. These covenants require the Company and the Bank to maintain capital ratios at "well-capitalized" as defined by regulatory guidelines, to maintain minimum common equity tier 1 capital at the Bank of $36,000,000, to maintain a trailing twelve-months return on assets ratio of 0.50% or greater, and to have non-performing assets not exceeding 30% of primary capital plus the allowance for credit losses. As of December 31, 2023, the Company was in compliance with all the covenants. In addition, the line of credit agreement is subject to a prepayment penalty if refinanced with another financial institution.

The Company has a $8,000,000 term loan with another community bank. The balance on the term loan at December 31, 2023 is $5,816,821 with a fixed interest rate of 3.95%. The loan requires quarterly principal and interest payments. This term loan will mature on April 1, 2024, and requires a final payment of the unpaid principal and interest. The loan is secured by the Bank's stock. The term loan agreement is subject to the same financial covenants as detailed under the line of credit agreement. In addition, the term loan is subject to an annual declining prepayment penalty if refinanced with another financial institution.

The Company has a federal funds line of credit with its main correspondent institution for up to $13,000,000 and available federal funds line of credit of $6,500,000 with another correspondent institution. Federal funds purchased generally mature within one to four days from the transaction date. The interest rate is at the daily federal funds rate. The Company had no amounts outstanding on the federal funds lines of credit at December 31, 2023 and 2022.

The Company also has a borrowing availability through the Federal Reserve Company's discount window. The Company pledges securities and/or loans in order to borrow at the discount window. As of December 31, 2023 the Company had borrowed $30,000,000 through the Federal Bank Term Funding Program which was collateralized through pledged securities. There were no borrowings through the discount window as of December 31, 2022.

Note 13: Borrowed Funds (Continued)

Borrowed funds consisted of the following at December 31:

	2023		2022	
	Rates	Amount	Rates	Amount
Federal Home Loan Bank of Chicago:				
Fixed rate, fixed term advances	4.23% - 5.45%	$ 25,000,000	4.26%	$ 2,500,000
Federal Reserve Bank Term Funding Program				
Fixed rate, fixed term advance	5.22%	$ 30,000,000		$ -
Other notes payable:				
Fixed rate, fixed term	3.95%	5,816,821	3.95%	6,585,341
Totals		$ 60,816,821		$ 9,085,341

The following is a summary of scheduled maturities of fixed term borrowed funds as of December 31, 2023:

	Weighted Average Rate	Total Amount
2024	5.09%	$ 48,316,821
2025	4.45%	12,500,000
Total		$ 60,816,821

The Company has a master contract agreement with the FHLB that provides for borrowing capacity levels based on guidelines established by the FHLB. Total potential borrowings are generally limited to the lower of 35% of the Company's total assets or 22.22 times the FHLB stock owned, and includes additional limitations based on pre-determined percentages of the book value of the Company's qualifying real estate loans pledged as collateral. The Company's potential borrowing capacity available may require the purchase of additional FHLB stock to support additional advances up to the total pledged collateral value under current FHLB borrowing guidelines. The Company pledged real estate loans of approximately $261,605,636 and $242,755,810 as collateral at December 31, 2023, and 2022, respectively.

The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest, such as Secured Overnight Financing Rate (SOFR), federal funds, or treasury bill rates. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by $1,918,740 and $1,393,500 of FHLB stock owned by the Company at December 31, 2023 and 2022, respectively.

At December 31, 2023, the Company's available new advance capacity under this borrowing agreement based on its FHLB stock ownership balance was $6,033,228.

Note 14: Income Taxes

The components of the provision for income taxes are as follows as of December 31:

	2023	2022
Current tax expense:		
Federal	$ 1,797,955	$ 2,021,974
State	25	815,673
Total current	1,797,980	2,837,648
Deferred tax expense (benefit):		
Federal	44,720	(101,308)
State	-	(42,340)
Change in Wisconsin deferred taxes	1,229,471	-
Total deferred	1,274,191	(143,648)
Total provision for income taxes	$ 3,072,171	$ 2,694,000

The primary differences between income taxes at the federal statutory rate and the provision for income taxes include state taxes and tax-exempt income.

On July 5, 2023, the Wisconsin 2023-2025 budget was signed into law. Under the new law, which is effective for tax years beginning after December 31, 2022, banks are allowed to exempt from state taxation loan income from commercial and agricultural loans of $5 million or less where the borrower resides, or is located, in Wisconsin. This will result in reduced state income taxes for the year ended December 31, 2023, and future years. However, because of the change in the tax law, the Company no longer believes it will receive a benefit for the net deferred tax asset previously recognized. As a result, the Company has recognized a valuation allowance for the net deferred tax asset related to the state of Wisconsin effective as of July 5, 2023, which resulted in a charge to earnings totaling $1,229,471 during the year ended December 31, 2023.

Note 14: Income Taxes (Continued)

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major components of the net deferred tax asset, which is included in other assets on the consolidated balances sheets, as of December 31 are presented below:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 1,481,135	$ 1,349,589
State net operating loss carryforwards	-	830
Unrealized loss on debt securities available for sale	3,307,083	3,888,785
Capital lease obligations	8,796	15,420
Other	212,596	209,892
Total deferred tax assets	5,009,610	5,464,516
Deferred tax liabilities:		
Premises and equipment	248,858	228,874
FHLB stock	34,626	34,623
Mortgage servicing rights	500,939	575,498
Equity investment mark to market	40,533	20,424
Other	25,626	26,645
Total deferred tax liabilities	850,582	886,064
Valuation allowance	(1,229,471)	-
Net deferred tax asset	$ 2,929,557	$ 4,578,452

The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense. The Company had no accrual for interest or penalties related to income tax issues as of December 31, 2023 and 2022.

With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2019.

Note 15: Employee Benefit Plans

The Company sponsors a 401(k) profit sharing plan that covers all full-time and part-time employees. Eligible employees can defer a portion of their annual compensation into this 401(k) plan. The Company will match 100% of the amount contributed by an eligible employee up to 4% of the employee's annual compensation.

Each quarter the Company shares with its eligible employees 5% of the Company's after-tax profits from the previous quarter.

Profit sharing and matching contribution expense charged to operations was $638,482 and $633,420 for 2023 and 2022, respectively.

Achievement Pay/Incentive Compensation is a discretionary fund that managers can use to reward individuals based on performance and accomplishments. The Company reserves funds each year on a monthly basis as determined by the projected net income. Discretionary payments are approved by the President/CEO and paid out of the reserve. If money remains in the reserve account at year-end, the remaining reserve balance will carry over into the following year.

All employees are eligible for achievement pay based on established criteria. A select group of managers and producers are eligible for incentive compensation, which is based on the Company's financial performance and goal achievement.

The President/CEO's bonus is based on the Company's performance measurements established by the Board and is calculated and approved by the Board of Directors. This bonus is also paid from this reserve.

Achievement Pay/Incentive Compensation expenses charged to operations was $400,000 and $300,000 for 2023 and 2022, respectively. The reserve accrual for Achievement Pay outstanding as of December 31, 2023 and 2022, was $326,585 and $300,000, respectively.

The Company has salary continuation agreements with various executive officers. The agreements provide for the payment of specified amounts upon the employee's retirement or death, which are being accrued over the anticipated remaining period of employment. Amounts accrued and included within other liabilities were $510,157 and $557,094 as of December 31, 2023 and 2022, respectively. Expenses recognized for future benefits under these agreements totaled $33,542 and $37,002 in 2023 and 2022, respectively.

In conjunction with the salary continuation agreements, the Company purchased paid-up life insurance on the officers, which provides funding for the payment of benefits. The aggregate death benefits under the insurance contracts were $17,047,963 and $17,017,967 as of December 31, 2023 and 2022, respectively. The related aggregate cash surrender value was $9,559,020 and $9,343,090 as of December 31, 2023 and 2022, respectively.

Note 16: Stockholders' Equity and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to Bank Holding Companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier I, Tier I and Total capital to risk-weighted assets and of Tier I capital to average assets. It is management's opinion, as of December 31, 2023, that the Bank meets all applicable capital adequacy requirements.

As of December 31, 2023, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The payment of dividends by the Bank would be restricted if the Bank does not meet the minimum Capital Conservation Buffer as defined by Basel III regulatory capital guidelines and/or if, after payment of a dividend, the Bank would be unable to maintain satisfactory regulatory capital ratios.

Note 16: Stockholders' Equity and Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31 are presented in the following table:

	Actual			For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio		Amount	Ratio		Amount	Ratio
2023								
Common equity Tier I capital (to risk-weighted assets)	$ 77,597	14.8%	≥	$ 23,640	4.5%	≥	$ 34,147	6.5%
Total capital (to risk-weighted assets)	83,133	15.8%	≥	42,027	8.0%	≥	52,534	10.0%
Tier I capital (to risk-weighted assets)	77,597	14.8%	≥	31,520	6.0%	≥	42,027	8.0%
Tier I capital (to average assets)	77,597	12.8%	≥	24,301	4.0%	≥	30,377	5.0%
2022								
Common equity Tier I capital (to risk-weighted assets)	$ 71,067	14.2%	≥	$ 22,544	4.5%	≥	$ 32,563	6.5%
Total capital (to risk-weighted assets)	76,225	15.2%	≥	40,078	8.0%	≥	50,097	10.0%
Tier I capital (to risk-weighted assets)	71,067	14.2%	≥	30,058	6.0%	≥	40,078	8.0%
Tier I capital (to average assets)	71,067	12.1%	≥	23,464	4.0%	≥	29,329	5.0%

Note 17: Commitments, Contingencies, and Credit Risk

Financial Instruments with Off-Balance-Sheet Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31:

	Notional Amount	
	2023	2022
Commitments to extend credit	$ 118,851,000	$ 112,782,000
Commitment to deliver loans to the FHLB Chicago under the Mortgage Partnership Finance Program	1,251,000	492,000
Credit card commitments	97,000	400,000
Standby letters of credit	14,659,000	18,846,000
Credit enhancement under the FHLB of Chicago Mortgage Partnership Finance Program	1,171,000	981,000

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Credit card commitments are commitments on credit cards issued through the Company and serviced by other companies. These commitments are unsecured.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. Standby letters of credit are not reflected in the consolidated financial statements since recording the fair value of these guarantees would not have a significant impact on the consolidated financial statements.

Note 17: Commitments, Contingencies, and Credit Risk (Continued)

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The Company received a fee for this credit enhancement. The Company does not anticipate that any credit losses will be incurred in excess of anticipated credit enhancement fees.

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the consolidated financial statements.

Concentration of Credit Risk

The majority of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 6. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

Note 18: Stock Split

On May 18, 2022, the Board of Director’s approved an increase in the authorized common stock from 1,000,000 shares to 5,000,000 shares, reduced the par value of common stock from $0.10 to $0.02 per share, and approved a 5-for-1 common stock split. All references to per share amounts in the financial statements reflect the stock split for the year 2022.

Note 19: Fair Value Measurements

Accounting standards describe three levels of inputs that may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

- Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

- Level 2 - Fair value measurement is based on: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

- Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Company's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities, such as debt securities available for sale, are measured at fair value on a recurring basis under GAAP. Other assets and liabilities, such as collateral dependent, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy:

Debt securities available for sale - Debt securities available for sale are classified as Level 1 or 2 measurements within the fair value hierarchy. Level 1 securities include debt securities traded on a national exchange and include U.S. treasury notes and bonds. Level 2 securities include U.S. government and agencies, obligations of states and political subdivisions, corporate bonds, pooled SBA loans, and mortgage-backed securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans - Loans are not measured at fair value on a recurring basis. However, individually evaluated loans (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of a loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies; typically, they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant and typically result in a Level 3 classification. Nonreal estate collateral may be valued using an appraisal, net book value of the borrower's financial statements or aging reports, adjusted or discounted based on management's expertise and knowledge of the borrower and comparisons to sales of comparable assets, but include significant unobservable data and are, therefore, considered Level 3 classification.

Note 19: Fair Value Measurements (Continued)

Mortgage servicing rights - Mortgage servicing rights are not measured at fair value on a recurring basis. However, mortgage servicing rights that are impaired (see Note 1) are measured at fair value on a nonrecurring basis. Serviced loan pools are stratified by term and rate ranges, and a valuation model is used to calculate the present value of expected future cash flows for each stratum. When the carrying value of a stratum exceeds its fair value, the stratum is measured at fair value. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. Although some of these assumptions are based on observable market data, other assumptions are based on unobservable estimates of what market participants would use to measure fair value. As a result, the fair value measurement of mortgage servicing rights is considered a Level 3 measurement.

Foreclosed assets - Real estate and other property acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are, therefore, considered Level 3 measurements.

Other investments – Other investments in equity securities with a readily determinable fair value are measured at fair value on a recurring basis. The fair value measurement of equity securities with a readily determinable fair value are based on the quoted price of the security and is considered a Level 1 fair value measurement. Equity securities without a readily determinable fair value, such as Bankers' Bancorporation, are measured at fair value on a nonrecurring basis when transaction prices for identical or similar securities are identified. Fair value measurements on equity securities without a readily determinable fair value are generally considered a Level 2 fair value measurement.

Note 19: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31 follows:

		Recurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Assets:				
Debt securities available for sale:				
U.S. treasury notes and bonds	$ 10,340,215	$ 10,340,215	$ -	$ -
U.S. sponsored agencies	6,773,753	-	6,773,753	-
Obligations of states and political subdivisions	19,515,392	-	19,515,392	-
Corporate bonds	2,266,823	-	2,266,823	-
Pooled SBA loans	4,457	-	4,457	-
U.S. agency residential mortgage-backed securities	16,132,795	-	16,132,795	-
U.S. agency collateralized debt obligations	38,417,813	-	38,417,813	-
Total assets	$ 93,451,248	$ 10,340,215	$ 83,111,033	$ -
2022				
Assets:				
Securities available for sale:				
U.S. treasury notes and bonds	$ 11,723,477	$ 11,723,477	$ -	$ -
U.S. sponsored agencies	7,629,417	-	7,629,417	-
Obligations of states and political subdivisions	22,808,184	-	22,808,184	-
Pooled SBA loans	41,069	-	41,069	-
U.S. agency residential mortgage-backed securities	19,077,914	-	19,077,914	-
U.S. agency collateralized debt obligations	46,099,180	-	46,099,180	-
Total assets	$ 107,379,241	$ 11,723,477	$ 95,655,764	$ -

Note 19: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a nonrecurring basis as of December 31 follows:

	Assets Measured at Fair Value	Nonrecurring Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Collateral dependent loans	$ 2,228,529	$ -	$ -	$ 2,228,529
Bankers' Bancorporation stock	626,800	-	626,800	-
Foreclosed assets	251,920	-	-	251,920
Total assets	$ 3,107,249	$ -	$ 626,800	$ 2,480,449
2022				
Collateral dependent loans	$ 2,824,156	$ -	$ -	$ 2,824,156
Bankers' Bancorporation stock	585,900	-	585,900	-
Foreclosed assets	353,895	-	-	353,895
Total assets	$ 3,763,951	$ -	$ 585,900	$ 3,178,051

Note 19: Fair Value Measurements (Continued)

As of December 31, 2023, collateral dependent loans with a carrying amount of $2,602,529 were written down to their estimated fair value of $2,228,529. As a result, the Company recognized a specific valuation allowance totaling $374,000.

As of December 31, 2022, collateral dependent loans with a carrying amount of $3,084,156 were written down to their estimated fair value of $2,824,156. As a result, the Company recognized a specific valuation allowance totaling $260,000.

Mortgage servicing rights were not considered impaired during 2022 and 2023.

As of December 31, 2023, Foreclosed assets with a fair value, net of estimated costs to sell were $251,920. These were acquired through or in lieu of foreclosure during the proceeding years.

No foreclosed assets were acquired during 2022. The balance of other real estate owned as of December 31, 2022 was $353,895.

The following table presents quantitative information about nonrecurring Level 3 fair value measurements at December 31:

	Fair Value	Market and/or income approach	Unobservable Input(s)	Range/ Weighted Average
2023				
Collateral dependent loans	$ 2,228,529	Sales comparison	Management discount on appraised values	10%
Foreclosed assets	251,920	Sales comparison	Management discount on appraised values	10%
2022				
Collateral dependent loans	$ 2,824,156	Sales comparison	Management discount on appraised values	10%
Foreclosed assets	353,895	Sales comparison	Management discount on appraised values	10%

Note 19: Fair Value Measurements (Continued)

The carrying value and estimated fair value of financial instruments at December 31, 2023 and 2022 follows:

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
2023					
Financial Assets:					
Cash and cash equivalents	$ 66,518,643	$ 66,518,643	$ 66,518,643	$ -	$ -
Certificates of deposit	260,497	260,497	-	260,497	-
Debt securities available for sale	93,451,248	93,451,248	10,340,215	83,111,033	-
Loans, net	451,940,496	441,044,000	-	-	441,044,000
Mortgage servicing rights	1,826,206	3,539,000	-	3,539,000	-
Other investments	2,545,540	2,545,540	-	626,800	1,918,740
Bank-owned life insurance	9,559,020	9,559,020	9,559,020	-	-
Total	$ 626,101,650	$ 616,917,948	$ 86,417,878	$ 87,537,330	$ 442,962,740

	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
2023					
Financial Liabilities:					
Deposits	$ 510,012,956	$ 460,695,984	$ -	$ -	$ 460,695,984
Borrowed funds	60,816,821	60,816,821	-	-	60,816,821
Lease obligations - Finance leases	32,068	32,068	-	-	32,068
Total	$ 570,861,845	$ 521,544,873	$ -	$ -	$ 521,544,873

Note 19: Fair Value Measurements (Continued)

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
2022					
Financial Assets:					
Cash and cash equivalents	$ 37,315,471	$ 37,315,471	$ 37,315,471	$ -	$ -
Certificates of deposit	500,837	$ 500,837	-	500,837	-
Debt securities available for sale	107,379,241	107,379,241	11,723,477	95,655,764	-
Loans, net	422,145,160	410,459,000	-	-	410,459,000
Mortgage servicing rights	2,098,198	3,621,000	-	3,621,000	-
Other investments	1,979,400	1,979,400	-	585,900	1,393,500
Bank-owned life insurance	9,343,090	9,343,090	9,343,090	-	-
Total	$ 580,761,397	$ 570,598,039	$ 58,382,038	$ 100,363,501	$ 411,852,500
2022					
Financial Liabilities:					
Deposits	$ 526,090,606	$ 475,411,722	$ -	$ -	$ 475,411,722
Borrowed funds	9,085,341	9,085,341	-	-	9,085,341
Lease obligations - Finance leases	59,440	59,440	-	-	59,440
Total	$ 535,235,387	$ 484,556,503	$ -	$ -	$ 484,556,503

Note 19: Fair Value Measurements (Continued)

Limitations - The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.