Pontiac Bancorp, Inc.
and Subsidiary

Consolidated Financial Report
December 31, 2023

Contents

FORVIS

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Independent Auditor's Report

Board of Directors and Audit Committee
Pontiac Bancorp, Inc.
Pontiac, Illinois

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pontiac Bancorp, Inc. and subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Consolidated Financial Statements" section of our report. We are required to be independent of Pontiac Bancorp, Inc. 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2023, the Company adopted new accounting guidance ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pontiac Bancorp Inc.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 Pontiac Bancorp, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pontiac Bancorp Inc.'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.

FORVIS, LLP

Decatur, Illinois
March 11, 2024

Pontiac Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	**$ 29,489,017**	$ 44,567,799
Securities available for sale	**162,249,461**	208,903,949
Securities held to maturity	**4,988,823**	6,071,068
Nonmarketable equity securities	**5,502,766**	4,062,766
Loans, net of allowance for credit losses of $8,605,160 in 2023 and $7,703,388 in 2022	**749,496,715**	663,368,864
Cash value of life insurance	**20,384,115**	19,222,117
Bank premises and equipment, net	**10,086,454**	9,390,158
Accrued interest receivable	**7,455,552**	6,297,922
Real estate held for sale	**316,952**	489,855
Deferred income taxes	**6,610,741**	7,240,476
Goodwill	**14,046,247**	14,046,247
Core deposit intangible	**2,156,875**	2,454,375
Other assets	**2,958,157**	2,286,700
Total assets	**$ 1,015,741,875**	$ 988,402,296
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Demand	**$ 171,198,628**	$ 198,091,794
NOW	**154,539,527**	157,830,026
Savings and money market	**223,679,295**	290,828,771
Time, $250,000 and over	**78,551,770**	50,934,588
Time, other	**153,057,289**	114,415,699
Brokered deposits	**25,422,478**	13,667,000
Total deposits	**806,448,987**	825,767,878
Securities sold under agreements to repurchase	**10,325,698**	17,975,593
Other borrowings	**78,000,000**	40,000,000
Allowance for credit losses on off-balance sheet credit exposures	**397,000**	-
Pension liability	**2,067,861**	2,061,200
Accrued interest payable and other liabilities	**9,026,915**	3,973,736
Total liabilities	**906,266,461**	889,778,407
Commitments, contingencies and credit risk (Note 12)		
Stockholders' equity:		
Common stock, $10 par value, 500,000 shares authorized; 240,200 shares issued	**2,402,000**	2,402,000
Surplus	**6,602,865**	6,293,424
Retained earnings	**123,730,158**	114,978,606
Accumulated other comprehensive (loss)	**(13,089,629)**	(14,939,886)
	119,645,394	108,734,144
Less cost of treasury stock, 2023, 33,536 shares; 2022, 34,154 shares	**10,169,980**	10,110,255
Total stockholders' equity	**109,475,414**	98,623,889
Total liabilities and stockholders' equity	**$ 1,015,741,875**	$ 988,402,296

Pontiac Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest and fee income:		
Loans	**$ 37,599,576**	$ 27,017,798
Securities	**5,147,372**	4,709,269
Other	**1,106,290**	495,425
	43,853,238	32,222,492
Interest expense:		
Deposits and brokered deposits	**8,142,235**	2,017,268
Securities sold under agreements to repurchase	**155,781**	41,339
Fed funds purchased and other borrowings	**1,733,041**	339,007
Long-term debt	**-**	179,414
	10,031,057	2,577,028
Net interest income	**33,822,181**	29,645,464
Credit loss expense - loans	**1,144,362**	1,400,000
Credit loss expense - off balance sheet credit exposures	**(113,843)**	-
Credit loss expense	**1,030,519**	1,400,000
Net interest income after credit loss expense	**32,791,662**	28,245,464
Noninterest income:		
Trust department fees	**919,088**	987,887
Service fees	**824,564**	933,191
Net gain (loss) on sale of securities	**56,745**	(319,530)
Net gain on sale of loans	**98,079**	77,172
Other	**2,173,750**	2,246,174
	4,072,226	3,924,894
Noninterest expenses:		
Salaries and wages	**7,987,380**	7,829,104
Employee benefits	**4,073,238**	4,262,816
Occupancy	**1,311,956**	1,400,515
Equipment rentals, depreciation, maintenance and data processing	**2,204,046**	2,048,677
Net loss on sale of real estate held for sale	**21,827**	38,411
Other	**5,386,802**	4,946,419
	20,985,249	20,525,942
Income before income taxes	**15,878,639**	11,644,416
Income taxes	**4,150,538**	2,811,289
Net income	**$ 11,728,101**	$ 8,833,127
Basic earnings per share	**$ 56.75**	$ 43.05
Diluted earnings per share	**$ 56.53**	$ 42.93

Pontiac Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022

	2023	2022
Net income	**$ 11,728,101**	$ 8,833,127
Other comprehensive (loss) income, before tax:		
Securities available for sale:		
Unrealized net holding gains (losses) arising during the period	**2,755,359**	(20,940,252)
Reclassification adjustment for (gains) losses included in net income	**(56,745)**	319,530
	2,698,614	(20,620,722)
Change in minimum pension liability	**(110,661)**	2,038,159
Other comprehensive income (loss), before tax	**2,587,953**	(18,582,563)
Income tax benefit related to items of other comprehensive income (loss)	**737,696**	(5,296,961)
Other comprehensive income (loss), net of tax	**1,850,257**	(13,285,602)
Comprehensive income (loss)	**$ 13,578,358**	$ (4,452,475)

See notes to consolidated financial statements.

Pontiac Bancorp, Inc. and Subsidiary

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total
Balance, January 1, 2022	**$ 2,402,000**	**$ 5,791,790**	**$ 108,195,791**	**$ (10,340,469)**	**$ (1,654,284)**	**$ 104,394,828**
Net income	-	-	8,833,127	-	-	8,833,127
Other comprehensive loss	-	-	-	-	(13,285,602)	(13,285,602)
Cash dividends declared, $9.75 per share	-	-	(2,050,312)	-	-	(2,050,312)
Treasury stock purchased, 490 shares	-	-	-	(230,162)	-	(230,162)
Treasury stock reissued upon vesting of stock awards, 2,299 shares	-	- 501,634	-	460,376	-	962,010
Balance, December 31, 2022	**2,402,000**	**6,293,424**	**114,978,606**	**(10,110,255)**	**(14,939,886)**	**98,623,889**
Cumulative change in accounting principle for adoption of ASU 2016-13 (See note 1)	-	-	(349,954)	-	-	(349,954)
Balance, January 1, 2023	**2,402,000**	**6,293,424**	**114,628,652**	**(10,110,255)**	**(14,939,886)**	**98,273,935**
Net income	-	-	11,728,101	-	-	11,728,101
Other comprehensive income	-	-	-	-	1,850,257	1,850,257
Cash dividends declared, $12.40 per share	-	-	(2,626,595)	-	-	(2,626,595)
Treasury stock purchased, 720 shares	-	-	-	(328,049)	-	(328,049)
Treasury stock reissued upon vesting of stock awards, 1,338 shares	-	- 309,441	-	268,324	-	577,765
Balance, December 31, 2023	**$ 2,402,000**	**$ 6,602,865**	**$ 123,730,158**	**$ (10,169,980)**	**$ (13,089,629)**	**$ 109,475,414**

Pontiac Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	**$ 11,728,101**	$ 8,833,127
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**767,217**	808,787
Amortization of mortgage servicing rights	**136,021**	382,890
Net amortization of securities premiums and discounts	**159,617**	306,612
Amortization of core deposit intangible	**297,500**	318,698
Accretion of fair value adjustments on acquired loans	**(228,012)**	(232,152)
Credit loss expense	**1,030,519**	1,400,000
Stock awards expense	**723,117**	941,559
Deferred income taxes	**(107,961)**	(129,119)
Loss on sale of real estate held for sale	**21,827**	38,411
Net decrease in value of real estate held for sale	**-**	3,004
Net (gain) loss on sale of securities available for sale	**(56,745)**	319,530
Increase in cash surrender value of life insurance	**(444,378)**	(403,100)
Net gain on sale of loans	**(98,079)**	(77,172)
Origination of mortgage and other loans held for sale	**(4,373,979)**	(3,035,311)
Proceeds from sale of mortgage loans held for sale	**4,984,403**	3,524,131
Change in assets and liabilities:		
Increase in accrued interest receivable	**(1,157,630)**	(1,193,368)
Increase in other assets	**(807,478)**	(642,714)
Increase in accrued interest payable and other liabilities	**3,115,204**	524,107
Net cash provided by operating activities	**15,689,264**	11,687,920
Cash flows from investing activities:		
Proceeds from sale of securities available for sale	**385,289**	23,329,858
Proceeds from calls/maturities/paydowns of securities available for sale	**68,829,473**	14,757,886
Purchase of securities available for sale	**(19,945,658)**	(145,398,104)
Proceeds from maturities of securities held to maturity	**1,063,371**	1,191,522
Purchase of securities held to maturity	**-**	(5,134,402)
Proceeds from sale of nonmarketable equity securities	**215,000**	-
Purchase of nonmarketable equity securities	**(1,655,000)**	(1,869,500)
Proceeeds from bank owned life insurance redemption	**556,286**	-
Purchase of bank owned life insurance	**(1,273,906)**	-
Improvements to real estate held for sale	**(65,003)**	(119,146)
Proceeds from sale of real estate held for sale	**446,923**	438,107
Net increase in loans	**(88,137,344)**	(111,674,181)
Proceeds from the sale of bank premises and equipment	**-**	21,028
Purchase of bank premises and equipment	**(1,463,513)**	(228,723)
Net cash used in investing activities	**(41,044,082)**	(224,685,655)

(continued)

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from financing activities:		
Net (decrease) increase in demand deposits, NOW, savings and money market accounts	**$ (95,133,675)**	$ (935,155)
Net increase (decrease) in time deposits	**66,258,772**	(15,037,378)
Net (decrease) increase in securities sold under agreements to repurchase	**(7,649,895)**	5,237,024
Net increase in brokered deposits	**11,755,478**	13,667,000
Proceeds from other borrowings	**55,500,000**	40,000,000
Repayment of other borrowings	**(17,500,000)**	-
Repayment of long-term debt	**-**	(11,250,000)
Purchase of treasury stock	**(328,049)**	(230,162)
Cash dividends paid	**(2,626,595)**	(2,050,312)
Net cash provided by financing activities	**10,276,036**	29,401,017
Net decrease in cash and due from banks	**(15,078,782)**	(183,596,718)
Cash and due from banks:		
Beginning	**44,567,799**	228,164,517
Ending	**$ 29,489,017**	$ 44,567,799
Supplemental schedule of cash flow information		
Cash payments for interest:		
Interest	**$ 8,971,179**	$ 2,516,327
Income taxes	**3,657,538**	2,836,046
Supplemental schedule of noncash investing activities		
Real estate held for sale acquired in settlement of loans	**$ 277,066**	$ 841,823
Sale of real estate held for sale through loan origination	**46,222**	494,798
Supplemental schedule of noncash financing activities		
Issuance of treasury stock for vested stock awards	**$ 577,765**	$ 962,010

See notes to consolidated financial statements.

Note 1. Nature of Banking Activities and Significant Accounting Policies

Nature of banking activities: Bank of Pontiac (the Bank) conducts most of its business activities with customers located in Grundy, Livingston, McLean, and Tazewell Counties in Illinois. In the ordinary course of business, the Bank grants agribusiness, commercial, residential and personal loans to customers located in the Bank's market area. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral, if deemed necessary, may include real estate, accounts receivable, inventories, crops, livestock, equipment or other business and personal assets.

A summary of the Bank's significant accounting policies is as follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Pontiac Bancorp, Inc. and its wholly-owned subsidiary, Bank of Pontiac (collectively referred to as the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of the Company and the Bank have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and conform to predominant practices within the banking industry.

Use of estimates: In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for credit losses, the determination of the pension liability, and goodwill impairment.

Trust assets: Assets held by the Bank's trust department, other than trust cash on deposit at the Bank, are not included in these consolidated financial statements because they are not assets of the Bank.

Presentation of cash flows: For purposes of reporting, cash flows, cash and due from depository institutions include cash on hand and amounts due from depository institutions (including cash items in process of clearing) and interest-bearing deposits. Cash flows from loans originated by the Bank, federal funds sold, deposits, brokered demand and time deposits and securities sold under agreements to repurchase are reported net.

Securities held to maturity: Securities classified as held to maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by the interest method over their contractual lives or earliest call date.

Securities available for sale: Debt and marketable equity securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value with unrealized gains or losses reported as a separate component of comprehensive income, net of the related deferred tax effect. The amortization of premiums and accretion of discounts, computed by the interest method over their contractual lives or earliest call date, are recognized as interest income. Realized gains or losses, determined on the basis of the cost of specific securities sold as of the trade date and are included in earnings.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Allowance for credit losses – securities held to maturity: Currently all of the Company's held-to-maturity securities are locally issued municipal securities for which the risk of loss is minimal. Accordingly, the Company does not record an allowance for credit losses on held-to-maturity securities. Accrued interest receivable on held-to-maturity securities is excluded from the estimate of credit losses.

Allowance for credit losses – securities available-for-sale: The Company evaluates its available-for-sale debt and equity securities in an unrealized loss position on an ongoing basis. If the Company has the intent to sell a debt security or it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis, then the security’s amortized cost basis is written down to fair value through income. If neither of these conditions are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers various factors, including the magnitude and duration of the impairment, changes to the rating of the security by a rating agency, and the financial condition and near-term prospects of the issuer, among other factors. If the assessment indicates that a credit loss exists, an allowance for credit losses is recorded, limited to the amount that the fair value of the security is less than its amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes. Accrued interest receivable on available-for-sale securities is excluded from the estimate of credit losses.

Nonmarketable equity securities: Investments in the Federal Reserve Bank and Federal Home Loan Bank are carried at cost, as fair values are not readily determinable.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until payoff or maturity are stated at the amount of unpaid principal adjusted for charge-offs and reduced by an allowance for credit losses.

Interest on substantially all loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method over the contractual life of the loan.

The accrual of interest income for all loans is discontinued, and the loan is placed on non-accrual status at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans that are placed on non-accrual status exhibit well-defined weaknesses and possess characteristics of weak credits as defined under loan ratings 7 or 8, Substandard or Doubtful, respectively.

Interest accrued but not received on loans placed on non-accrual status is reversed against interest income at the time the loan is placed on non-accrual. Interest income is subsequently recognized on the cash-basis or cost-recovery method, until the loan qualifies for return to accrual status. Loans are returned to accrual status when both principal and interest are current, or the loan otherwise becomes well-secured and is in the process of collection or is guaranteed by a financially responsible party, and prospects for future principal and interest payments are not in doubt as evidenced by appropriate cash flow projections properly documented in the credit file.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Allowance for credit losses - loans: The allowance for credit losses for loans represents the best estimate of the reserve necessary to adequately account for probable losses expected over the remaining contractual life of the loans. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. Loans are charged off against the allowance for credit losses for loans when management believes the loan is deemed to be uncollectible and of such little value that the continuance as a bank asset is not warranted. Charge-off normally will occur after exhaustive attempts at rehabilitation and collection have been made. Losses are taken immediately when the loan is determined to be uncollectible. Subsequent recoveries, if any, are credited to the allowance for credit losses for loan.

The allowance for credit losses is evaluated on a regular basis by management. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience for the bank's peer group provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in underwriting and policy standards, local economic conditions, portfolio mix, delinquency trends, management and staff experience, or other relevant factors such as changes in loan review systems, competition, and legal and regulatory requirements.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments for establishing the allowance for credit losses, (1) Residential Loans, (2) Commercial Real Estate Loans, (3) Commercial Ag/Farm Loans, (4) Commercial & Industry Loans, and (5) Consumer Loans.

Residential Loans – These loans are generally smaller homogenous loans secured by 1-4 family real estate. Residential loans include both first and junior liens, as well as home equity loans. Repayment depends on the individual borrower's capacity.

Commercial Real Estate Loans – These loans are secured by commercial real estate, not farmland, and generally have greater credit risks compared to 1-4 family real estate loans, as they usually involve larger loan balances secured by non-homogeneous or specific use properties. These loans may be backed by personal guarantees of the owners of the business. Terms are generally 3-5 year balloon loans with amortization periods of 15-20 years. Repayment is generally dependent on the successful operation of the business or lease income generated by the property and is therefore more sensitive to adverse conditions in the economy and real estate market.

Commercial Ag/Farm Loans – These loans are primarily for agricultural purposes and may be secured by a variety of collateral including farmland, equipment, machinery and other business assets. These loans may also be secured and backed by the personal guarantees of the owner of the business or guarantees from the U.S. Department of Agriculture. Terms range from one year operating lines of credit to 30 year fixed rate loans. Repayment is generally dependent on the success of a farming operation and is therefore more sensitive to adverse weather conditions or changes in agricultural commodity prices.

Commercial & Industry Loans – These loans are primarily for all other commercial purposes. These loans may be secured by a variety of collateral including equipment, machinery and other business assets. These loans may also be secured and backed by the personal guarantees of the owner of the business or the Small Business Administration (SBA). The terms of commercial loans vary depending on the purpose and type of collateral. Terms range from one year operating lines of credit to 3-5 year balloon loans with amortization periods of 15-20 years. Repayment is generally dependent on the successful operation of the borrower's business and ability to convert assets to operating revenue and possess greater risk than most other loan types should repayment capacity of the borrower not be adequate.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Consumer Loans – These loans are all other consumer loans not secured by real estate. These loans are primarily secured by collateral such as automobiles or recreation vehicles, or are unsecured loans made for a variety of consumer purposes. The risk involved with consumer loans is based on the type and nature of the collateral, or absence of collateral. Consumer loan collections are dependent on the borrower's continuing financial stability, and are more likely to be adversely affected by unemployment, illness, or personal bankruptcy.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. All loans with a risk rating of 6 or higher are evaluated impairment. A loan is considered impaired when, based on current information and events, it is probable the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. The portion of the allowance for credit losses for loans applicable to impaired loans is computed based on the fair value of collateral adjusted for selling costs as appropriate. When the discounted cash flow method is used to determine the allowance for credit losses, the impairment is measured using the present value of the expected future cash flows discounted at the loan's effective interest rate.

Prior to adopting ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, an allowance for loan losses (allowance) was maintained to reflect probable incurred losses in the loan portfolio. The allowance was maintained at a level that, in management's judgment, was adequate to cover probable credit losses inherent in the loan portfolio as of the balance sheet date. The allowance was established as losses were estimated to have occurred through a provision for loan losses charged to earnings. Generally, loan losses were charged against the allowance when management believed the loan to be uncollectible and of such little value that the continuance as a bank asset is not warranted. Charge-off normally occurred after exhaustive attempts at rehabilitation and collection had been made. Losses were taken immediately when the loan was determined to be uncollectible. Subsequent recoveries, if any, were credited to the allowance.

The allowance was evaluated on a regular basis by management. To determine the total allowance, a reserve was estimated for each component of the portfolio, including loans analyzed individually and loans analyzed collectively. This evaluation was inherently subjective as it required estimates and assessment of risks that are susceptible to significant revision as additional and updated information becomes available.

For loans classified as impaired, a specific allowance was established when the discounted cash flows, collateral value or observable market value of the collateral was lower than the carrying value. These loans were excluded from the loans analyzed collectively. All loans with a risk rating of 6 or higher were evaluated for impairment. A loan was considered impaired when, based on current information and events, it was probable the Bank would not be able to collect all amounts due according to the contractual terms of the loan agreement. The portion of the allowance applicable to impaired loans was computed based on the present value of the estimated future cash flows of interest and principal discounted at the loan's effective interest rate or based on the fair value of the collateral for collateral dependent loans. The amount of impairment, if any, and any subsequent changes were included in the allowance.

Allowance for credit losses – off-balance sheet credit exposures: The Company estimated expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The allowance for credit losses on off-balance sheet credit exposures is included in other liabilities in the consolidated balance sheets.

.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Bank premises and equipment: Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed principally by using the straight-line method for buildings and improvements and accelerated methods for furniture and equipment over the estimated useful lives of the respective assets. Useful lives range from 3-39 years for furniture and equipment and 7-50 years for premises.

Goodwill: Costs in excess of the estimated fair value of identifiable net assets acquired for transactions accounted for as purchases are recorded as an asset by the Company. Annually or more frequently if circumstances warrant, the Company reviews the goodwill for events or circumstances that may indicate a change in recoverability of the underlying basis. Management performs an annual impairment assessment on December 31. No impairment was recorded in 2023 or 2022 as a result of these assessments.

Core deposit intangible: Core deposit intangible represents the value of acquired customer relationships resulting from a business combination. The core deposit intangible will be amortized using a straight-line method over a useful life of approximately 10 years. On a periodic basis, the Company reviews the intangible asset for events or circumstances that may indicate a change in recoverability of the underlying basis.

The gross carrying value and accumulated amortization of the core deposit intangible as of December 31, 2023 and 2022 is presented below:

	2023	2022
Core deposit intangible	$ 4,948,000	$ 4,948,000
Less accumulated amortization	(2,791,125)	(2,493,625)
	$ 2,156,875	$ 2,454,375

Amortization expense on core deposit intangible for the years ended December 31, 2023 and 2022 was $297,500 and $318,698, respectively.

Estimated future amortization expense on core deposit intangible for the five succeeding fiscal years is as follows:

Year Ending December 31,	Amount
2024	$ 297,500
2025	297,500
2026	297,500
2027	297,500
2028	297,500

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Transfers of financial assets: Transfers of financial assets are accounted for as sales only when the control over the financial assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Company, put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (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 their maturity or the ability to unilaterally cause the holder to return specific assets.

Mortgage servicing rights: Mortgage servicing rights are capitalized and amortized in proportion to, and over the period of, the estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of the rights estimated using discounted cash flows based on current market rates of interest. The amount of impairment recognized is the amount by which the capitalized mortgage serving rights exceed their fair value. Management evaluates mortgage servicing rights for impairment on an annual basis.

Real estate held for sale: Real estate acquired through foreclosure or deed in lieu of foreclosure represents specific assets to which the Bank has acquired legal title in satisfaction of indebtedness. Such real estate is recorded at the property's fair value less estimated costs to sell at the date of foreclosure. Initial valuation adjustments, if any, are charged against the allowance. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value. Subsequent declines in estimated fair value are charged to expense when incurred. Revenues and expenses related to holding and operating these properties are included in operations.

The carrying value of foreclosed residential real estate property as of December 31, 2023 and 2022 was $223,100 and $392,704, respectively. There were 4 residential real estate loans in process of foreclosure as of December 31, 2023, totaling $328,843. There were 7 residential real estate loans in process of foreclosure as of December 31, 2022, totaling $549,385.

Deferred income taxes: Deferred taxes are provided on the liability method. Deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained.

The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The Company management believes that the Company maintains no uncertain tax positions for tax reporting purposes and accordingly, no liability is required to be recorded. The Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2020.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Employee benefit plans: The Company has a defined contribution plan covering substantially all full-time employees. Employees may elect to contribute, on a pre-tax basis, up to 100% of their compensation. All elective deferrals are subject to the maximum allowed by law. The Company matches the first 5 percent of each employee's contribution at a rate of 50 percent. The Company's matching contribution expense was $134,247 and $136,416 for 2023 and 2022, respectively.

The Company also has a noncontributory defined benefit pension plan covering all full-time employees who meet the eligibility requirements. The Company's funding policy is to make annual contributions that are deductible for federal income tax purposes.

The Company's pension obligation was measured as of December 31, 2023 and 2022, and calculated using generally accepted actuarial methods. U.S. GAAP require the Company to recognize the funded status of its pension plan in the balance sheet at December 31, with a corresponding charge to accumulated other comprehensive (loss). The funded status is the difference between the fair value of plan assets and the projected benefit obligations. The charge to accumulated other comprehensive (loss) represents the net unrecognized actuarial gains or losses and unrecognized prior service costs, net of tax.

Bank-owned life insurance: The Bank has purchased life insurance policies on the lives of certain directors and officers. These policies provide an efficient form of funding for long-term retirement and other employee benefit costs. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is their cash surrender value ("CSV") or the current amount that could be realized if settled.

Earnings per common share: Basic earnings per share are computed by dividing net income available for common stock for the year by the weighted average number of common shares outstanding of 206.666 and 205,195 for 2023 and 2022, respectively. Diluted earnings per common share is determined by dividing net income available for common stock for the year by the weighted average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents assume exercise of stock options, vesting of stock awards, and use of proceeds to purchase treasury stock at the average market price for the period. The weighted average shares for this calculation were 207,471 and 205,770 for 2023 and 2022, respectively.

Treasury stock: Common stock acquired is recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Stock-based employee compensation: The Company follows authoritative guidance, issued by the Financial Accounting Standards Board (FASB), which requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in the consolidated financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. FASB guidance permits entities to use any option-pricing model that meets the fair value objective in the statement. Modifications of share-based payments are treated as replacement awards with the cost of the incremental value recorded in the consolidated financial statements.

Comprehensive income/(loss): Comprehensive income/(loss) includes all changes in stockholders' equity during a period, except those resulting from transactions with stockholders. Besides net income, other components of the Company's comprehensive income/(loss) include the after-tax effect of changes in the net unrealized gain/loss on securities available for sale and the changes in the funded status of the defined benefit plan. Comprehensive income/(loss) is reported in the accompanying consolidated statements of comprehensive income/(loss).

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

Revenue Recognition: Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes a revenue recognition model for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The majority of the Company's revenues come from interest income and other sources, including loans, securities and revenue related to mortgage servicing activities, that are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Company satisfies its obligation to the customer. A description of the revenue-generating activities are as follows:

Service Charges on Deposits. The Company generates revenue from fees charged for deposit account maintenance, overdrafts, wire transfers, and check fees. The revenue related to deposit fees is recognized at the time the performance obligation is satisfied.

ATM/Debit Card Interchange. The Company generates revenue through service charges from the use of its ATM machines and interchange income from the use of Company issued debit cards. The revenue is recognized at the time the service is used, and the performance obligation is satisfied.

Fiduciary Income. The Company generates fee income from providing fiduciary services through its trust department. Fees are billed in arrears based upon the preceding period account balance. Revenue from the farm management department is recorded when service is complete.

Other income. The Company records gains on the sale of loans after the transaction is complete and transfer of ownership has occurred, and on the sale of OREO properties after the transfer of ownership has occurred and the performance obligation is satisfied. Revenue recorded from other sources is de minimus and considered immaterial to the Company's financial statements.

Adoption of new accounting standard: On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of credit losses under the CECL methodology is applicable financial assets measured at amortized cost including loan and held-to-maturity securities. It also applies to off-balance sheet credit exposures such as loan commitment, standby letters of credit, financial guarantees, and other similar instruments. In addition, ASC 326 made changes to the accounting for available-for-sale securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for financial assets measure at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $349,954 as of January 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment included a decrease to the allowance for credit losses on loan of $21,363 and an increase to the allowance for credit losses on off-balance sheet credit exposure of $510,843. There was no allowance for credit losses recorded for held-to-maturity securities.

Note 1. Nature of Banking Activities and Significant Accounting Policies (Continued)

The following table illustrates the impact of ASU 2016-13 adoption:

	January 1, 2023		
	As Reported Under ASU 2016-13	Pre-ASU 2016-13 Adoption	Impact of ASU 2016-13 Adoption
Assets:			
1-4 Family Residential	$ 2,148,108	$ 1,926,960	$ 221,148
Commercial Real Estate	2,687,062	2,261,425	425,637
Commercial Ag/Farm	1,498,360	1,999,749	(501,389)
Commercial & Industry	962,110	1,237,766	(275,656)
Other Consumer Not Real Estate	386,385	277,488	108,897
Allowance for credit losses for all loans	$ 7,682,025	$ 7,703,388	$ (21,363)
Liabilities:			
Allowance for credit losses on off-balance sheet exposures	$ 510,843	$ -	$ 510,843

On March 31, 2022, the Financial Accounting Standards Board (“FASB”) issued ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments eliminate certain troubled debt restructuring (“TDR”) recognition and measurement guidance previously in effect, and consideration of the TDRs similar to other modified loans under CECL is now required. ASU 2022-02 also requires enhancements to vintage loan disclosures, requiring detail be provided on current-period gross write-offs and disclosure of the amortized cost basis of financing receivables by credit quality indicators and by loan portfolio class of the gross charge-off based on year of origination. ASU 2022-02 was effective for fiscal years beginning after December 15, 2022, including interim periods within those years, and was adopted prospectively by the Company as of January 1, 2023, with no material impact to the consolidated financial statements.

Subsequent events: The Company has evaluated subsequent events through March 11, 2024, which is the date the consolidated financial statements were issued.

An acquisition of banking facilities in Paxton, Melvin, and Piper City from Farmers-Merchants Bank of Illinois was completed on January 26, 2024. The transaction increased the Company’s deposits and loans by approximately $164 million and $20 million, respectively.

Note 2. Cash and Due from Banks and Securities

The Federal Reserve Bank reduced reserve requirement ratios to zero percent effective March 26, 2020, eliminating the reserve requirements for all depository institutions. The Federal Reserve Bank required the Bank to maintain a cash balance of $0 as a reserve requirement as of December 31, 2023. Due from bank balances of approximately $210,000 and $240,000 at December 31, 2023 and 2022, respectively, were restricted due to required cash balances to be maintained with correspondent banks.

The Bank maintains its cash in bank deposit accounts and federal funds sold which, at times, may exceed federally insured limits. At December 31, 2023, the Company's cash accounts included approximately $13,582,000 and $485,000 at the Federal Reserve Bank and Federal Home Loan Bank, respectively, that is not federally insured. The remainder of the balance of the Company's cash accounts exceeded federally insured limits by approximately $8,618,000. The Bank has not experienced any losses in such accounts. The Bank believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 3. Securities

The amortized cost and fair value of securities as of December 31, 2023 and 2022, are summarized as follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Debt securities:				
U.S. government agencies	$ 73,952,562	$ 61,211	$ 4,982,030	$ 69,031,743
States and political subdivisions	68,944,225	395,388	6,627,816	62,711,797
Residential mortgage-backed securities	34,599,780	-	4,093,859	30,505,921
	$ 177,496,567	$ 456,599	$ 15,703,705	$ 162,249,461
Held to maturity:				
States and political subdivisions	$ 4,988,823	$ 54,930	$ 117,426	$ 4,926,327

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Debt securities:				
U.S. government agencies	$ 117,361,988	$ 1,750	$ 5,658,880	$ 111,704,858
States and political subdivisions	69,999,332	484,200	8,699,266	61,784,266
Residential mortgage-backed securities	39,488,349	-	4,073,524	35,414,825
	$ 226,849,669	$ 485,950	$ 18,431,670	$ 208,903,949
Held to maturity:				
States and political subdivisions	$ 6,071,068	$ 47,257	$ 191,553	$ 5,926,772

Gross realized gains and losses for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Realized gains on securities available for sale	$ 86,879	$ 47
Realized losses on securities available for sale	(30,134)	(319,577)
	$ 56,745	$ (319,530)

Note 3. Securities (Continued)

The amortized cost and fair value of debt securities classified as available for sale and held to maturity at December 31, 2023, by contractual maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be prepaid without any penalties. Therefore, these securities are not included in the maturity's categories in the following maturity summary:

	Amortized Cost	Fair Value
Securities available for sale:		
Due in one year or less	$ 5,004,920	$ 4,867,280
Due after one year through 5 years	44,844,868	42,054,842
Due after 5 years through 10 years	45,008,319	41,895,362
Due after 10 years	48,038,680	42,926,056
	142,896,787	131,743,540
Mortgage-backed securities	34,599,780	30,505,921
	$ 177,496,567	$ 162,249,461
Securities held to maturity:		
Due in one year or less	$ 1,040,424	$ 1,030,194
Due after one year through 5 years	2,147,399	2,101,428
Due after 5 years through 10 years	998,000	1,001,687
Due after 10 years	803,000	793,018
	$ 4,988,823	$ 4,926,327

Securities with carrying values aggregating approximately $89,752,000 and $78,136,000 at December 31, 2023 and 2022, respectively, were pledged as collateral to secure public deposits, securities sold under agreements to repurchase and for other purposes required or permitted by law.

Note 3. Securities (Continued)

Information pertaining to securities with gross unrealized losses, for which an allowance for credit losses has not been recorded at December 31, 2023 and 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	2023					
	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available for sale:						
Debt securities:						
U.S. government agencies	$ 967	$ 126,309	$ 4,981,063	$ 66,606,144	$ 4,982,030	$ 66,732,453
States and political subdivisions	609	753,582	6,627,207	48,077,362	6,627,816	48,830,944
Residential mortgage-backed securities	34,668	524,078	4,059,191	29,981,843	4,093,859	30,505,921
	$ 36,244	$ 1,403,969	$ 15,667,461	$ 144,665,349	$ 15,703,705	$ 146,069,318
Held to maturity:						
States and political subdivisions	$ -	$ -	$ 117,426	$ 4,037,397	$ 117,426	$ 4,037,397

	2022					
	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available for sale:						
Debt securities:						
U.S. government agencies	$ 4,791,180	$ 90,991,703	$ 867,700	$ 10,637,311	$ 5,658,880	$ 101,629,014
States and political subdivisions	6,912,089	43,480,665	1,787,177	6,868,087	8,699,266	50,348,752
Residential mortgage-backed securities	2,589,925	26,329,405	1,483,599	9,085,420	4,073,524	35,414,825
	$ 14,293,194	$ 160,801,773	$ 4,138,476	$ 26,590,818	$ 18,431,670	$ 187,392,591
Held to maturity:						
States and political subdivisions	$ 191,553	$ 5,217,515	$ -	$ -	$ 191,553	$ 5,217,515

Unrealized losses on available-for-sale securities have not been recorded as an allowance for credit loss because the Company does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

At December 31, 2023, 206 debt securities have unrealized losses with an aggregate depreciation of approximately 9.535% from the Company's amortized cost-basis. The unrealized losses relate principally to fluctuations in the current interest rate environment. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and industry analysts' reports.

Mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies (GSE's) such as the Fannie Mae, Freddie Mac, and Ginnie Mae.

At December 31, 2023, held-to-maturity securities consisted of thirty-four unrated obligations to state and political subdivisions with an amortized cost of $4,988,823. The Company monitors the credit quality of held-to-maturity securities on a quarterly basis by considering various factors, including the magnitude and duration of the impairment, timely receipt of interest and principal payments, and the financial condition and near-term prospects of the issuer, among other factors.

Note 4. Loans

The following table presents a comparative composition of net loans as of December 31, 2023 and 2022:

	2023	2022
Residential Loans:		
1-4 Family Residential	$ 190,913,488	$ 169,385,313
Commercial Loans:		
Commercial Real Estate	251,170,244	202,045,842
Commercial Ag/Farm	187,907,734	185,401,934
Commercial & Industry	103,106,214	90,163,223
Total Commercial Loans	542,184,192	477,610,999
Consumer Loans:		
Other Consumer Not Real Estate	25,658,304	24,691,707
Total Loans	758,755,984	671,688,019
Less allowance for credit losses for loans	8,605,160	7,703,388
Less deferred loan fees	654,109	615,767
Loans, net	$ 749,496,715	$ 663,368,864

The following table reflects the carrying amount of loans acquired through business combinations, which are included in the loan categories above as of December 31, 2023 and 2022:

	2023	2022
Residential Loans:		
1-4 Family Residential	$ 6,828,701	$ 7,737,489
Commercial Loans:		
Commercial Real Estate	8,656,290	10,571,219
Commercial Ag/Farm	50,722,896	55,638,839
Commercial & Industry	998,167	1,942,900
Total Commercial Loans	60,377,353	68,152,958
Consumer Loans:		
Other Consumer Not Real Estate	96,737	202,680
Total Loans	$ 67,302,791	$ 76,093,127

Total loans acquired in a business combination on April 1, 2021 (the acquisition date), were recorded at a fair value of $129,900,916 and had a contractual amount due of $131,705,916. The accretable loan discount recorded at the date of acquisition was $1,805,000. The accretable loan discount remaining as of December 31, 2023 and 2022, was approximately $1,189,000 and $1,417,000, respectively. During 2023 and 2022, approximately $228,000 and $226,000 of the loan discount was accreted to interest income.

Note 4. Loans (Continued)

During the year ended December 31, 2023 and 2022, the Bank sold a total of $4,374,000 and $3,035,000, respectively, of residential real estate loans.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were approximately $126,660,000 and $135,127,000 at December 31, 2023 and 2022, respectively.

The following summarizes the activity pertaining to mortgage servicing rights, along with the aggregate activity in related valuation allowances:

	2023	2022
Balance, beginning	$ 865,507	$ 1,159,952
Mortgage servicing rights - capitalized	45,198	29,611
Mortgage servicing rights - amortized	(136,021)	(382,890)
Recovery/(Additional) Impairment	15	58,834
Balance, ending	$ 774,699	$ 865,507
Valuation allowance for servicing assets:		
Balance, beginning	$ (15)	$ (58,849)
Recovery/(Additional) Impairment	15	58,834
Balance, ending	$ -	$ (15)

Third party valuations are conducted annually for mortgage servicing rights. Based on these valuations, fair values were approximately $1,443,000, $1,519,460, and $1,160,000 at December 31, 2023, 2022, and 2021, respectively.

In the normal course of business, loans and other extensions of credit and deposits are made with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, such loans and other extensions of credit and deposits were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other customers. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features. Loans to related parties held by the Bank were approximately $6,231,000 and $6,846,000 as of December 31, 2023 and 2022, respectively. Deposit from related parties held by the Bank were approximately $8,191,000 and $12,664,000 as of December 31, 2023 and 2022, respectively.

Mortgage loans with carrying values aggregating approximately $7,373,000 and $8,732,000 at December 31, 2023 and 2022, respectively, were pledged as collateral to secure public deposits as required or permitted by law.

Note 4. Loans (Continued)

The following tables present the contractual aging of the recorded investment in loans, by class of loans, as of December 31, 2023 and 2022:

	2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Residential Loans:						
1-4 Family Residential	$ 1,186,099	$ 195,125	$ 669,329	$ 2,050,553	$ 188,862,935	$ 190,913,488
Commercial Loans:						
Commercial Real Estate	524,815	391,408	82,471	998,694	250,171,550	251,170,244
Commercial Ag/Farm	-	-	-	-	187,907,734	187,907,734
Commercial & Industry	165,334	323,269	-	488,603	102,617,611	103,106,214
Total Commercial Loans	690,149	714,677	82,471	1,487,297	540,696,895	542,184,192
Consumer Loans:						
Other Consumer Not Real Estate	119,013	23,822	-	142,835	25,515,469	25,658,304
Total Loans	$ 1,995,261	$ 933,624	$ 751,800	$ 3,680,685	$ 755,075,299	$ 758,755,984

	2022					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Residential Loans:						
1-4 Family Residential	$ 3,315,679	$ 163,861	$ 807,076	$ 4,286,616	$ 165,098,697	$ 169,385,313
Commercial Loans:						
Commercial Real Estate	221,223	99,322	-	320,545	201,725,297	202,045,842
Commercial Ag/Farm	-	-	90,410	90,410	185,311,524	185,401,934
Commercial & Industry	193,335	-	-	193,335	89,969,888	90,163,223
Total Commercial Loans	414,558	99,322	90,410	604,290	477,006,709	477,610,999
Consumer Loans:						
Other Consumer Not Real Estate	160,862	47,088	-	207,950	24,483,757	24,691,707
Total Loans	$ 3,891,099	$ 310,271	$ 897,486	$ 5,098,856	$ 666,589,163	$ 671,688,019

The following table presents the recorded investment in non-accrual loans and loans past due over 90 days still on accrual status, by class of loans, as of December 31, 2023 and 2022:

	2023			2022	
	Non-Accrual With No Allowance for Credit Loss	Non-Accrual	Loans Past Due Over 90 Days Still Accruing	Non-Accrual	Loans Past Due Over 90 Days Still Accruing
Residential Loans:					
1-4 Family Residential	$ 363,094	$ 1,019,398	$ -	$ 1,197,229	$ 25,827
Commercial Loans:					
Commercial Real Estate	82,471	82,471	-	63,595	-
Commercial Ag/Farm	-	-	-	90,410	-
Commercial & Industry	-	-	-	116,916	-
Total Commercial Loans	82,471	82,471	-	270,921	-
Consumer Loans:					
Other Consumer Not Real Estate	-	-	-	7,894	-
Total	$ 445,565	$ 1,101,869	$ -	$ 1,476,044	$ 25,827

Note 4. Loans (Continued)

The following tables present the activity in the allowance for credit losses, by portfolio segment, for the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023					
	Beginning Balance	Impact of adopting ASC 326	Charge-Offs	Recoveries	Provision for Credit Loss Expense	Ending Balance
Residential Loans:						
1-4 Family Residential	$ 1,926,960	$ 221,148	$ (40,135)	$ 9,483	$ 56,071	$ 2,173,527
Commercial Loans:						
Commercial Real Estate	2,261,425	425,637	(19,018)	1,528	1,107,381	3,776,953
Commercial Ag/Farm	1,999,749	(501,389)	-	662	(115,375)	1,383,647
Commercial & Industry	1,237,766	(275,656)	-	2,930	(10,199)	954,841
Total Commercial Loans	5,498,940	(351,408)	(19,018)	5,120	981,807	6,115,441
Consumer Loans:						
Other Consumer Not Real Estate	277,488	108,897	(205,412)	28,735	106,484	316,192
Total	$ 7,703,388	$ (21,363)	$ (264,565)	$ 43,338	$ 1,144,362	$ 8,605,160

	Year Ended December 31, 2022				
	Beginning Balance	Charge-Offs	Recoveries	Provisions	Ending Balance
Residential Loans:					
1-4 Family Residential	$ 1,889,531	$ (67,327)	$ 15,323	$ 89,433	$ 1,926,960
Commercial Loans:					
Commercial Real Estate	1,340,567	-	80,666	840,192	2,261,425
Commercial Ag/Farm	1,989,908	(375,132)	4,524	380,449	1,999,749
Commercial & Industry	1,018,067	(285,188)	454,527	50,360	1,237,766
Total Commercial Loans	4,348,542	(660,320)	539,717	1,271,001	5,498,940
Consumer Loans:					
Other Consumer Not Real Estate	297,178	(118,981)	59,725	39,566	277,488
Total	$ 6,535,251	$ (846,628)	$ 614,765	$ 1,400,000	$ 7,703,388

Note 4. Loans (Continued)

The following table presents the ending balance of the allowance for loan losses based on impairment method as of December 31, 2022:

	2022		
	Ending Allowance Balance Allocated to:		
	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Residential Loans:			
1-4 Family Residential	$ 45,680	$ 1,881,280	$ 1,926,960
Commercial Loans:			
Commercial Real Estate	16,268	2,245,157	2,261,425
Commercial Ag/Farm	498,670	1,501,079	1,999,749
Commercial & Industry	315,490	922,276	1,237,766
Total Commercial Loans	830,428	4,668,512	5,498,940
Consumer Loans:			
Other Consumer Not Real Estate	25,835	251,653	277,488
Total ending allowance balance	$ 901,943	$ 6,801,445	$ 7,703,388

The following table presents the recorded investment in loans, by portfolio segment, based on impairment method as of December 31, 2022:

	2022		
	Ending Recorded Investment in:		
	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
Residential Loans:			
1-4 Family Residential	$ 1,601,014	$ 167,784,299	$ 169,385,313
Commercial Loans:			
Commercial Real Estate	508,361	201,537,481	202,045,842
Commercial Ag/Farm	920,223	184,481,711	185,401,934
Commercial & Industry	640,727	89,522,496	90,163,223
Total Commercial Loans	2,069,311	475,541,688	477,610,999
Consumer Loans:			
Other Consumer Not Real Estate	65,060	24,626,647	24,691,707
Total ending loans balance	$ 3,735,385	$ 667,952,634	$ 671,688,019

Note 4. Loans (Continued)

The following table presents the amortized cost basis of collateral-dependent loans, by portfolio segment, as of December 31, 2023:

	Collateral			
	Real Estate	Business Assets	Other	Total
Residential Loans:				
1-4 Family Residential	1,387,188	$ -	$ -	$ 1,387,188
Commercial Loans:				
Commercial Real Estate	529,709	-	-	529,709
Commercial Ag/Farm	773,128	-	-	773,128
Commercial & Industry	-	338,390	-	338,390
Total Commercial Loans	1,302,837	338,390	-	1,641,227
Consumer Loans:				
Other Consumer Not Real Estate	-	-	17,676	17,676
	2,690,025	$ 338,390	$ 17,676	$ 3,046,091

As part of the on-going monitoring of the credit quality of the Bank's loan portfolio, management evaluates loans based on a 9-point rating system with loans rated 1-5 considered to be acceptable for the Bank's portfolio. Acceptable, or "Pass," assets are well protected by the current worth and paying capacity of the obligor or by the fair value of any underlying collateral. Pass assets also include certain assets considered "watch," which possess some credit deficiency or potential weakness which deserve close attention of management, but do not yet warrant substandard classification.

The Bank classifies problem and potential problem loans as "Special Mention," "Substandard," and "Doubtful" which corresponds to risk ratings of 6, 7, and 8, respectively. Loans that do not currently expose the Bank to sufficient risk to warrant classification in one of the aforementioned categories, but possess risks considered higher than normal (but still acceptable), or possess deficiencies which corrective action by the Bank would remedy are deemed "Special Mention." For "Substandard" loans, the weighted overall risk associated with these credits are considered undesirable, or the Bank is inadequately protected and there exists a distinct possibility of sustaining some loss if not corrected. Loans classified as "Doubtful" have weaknesses in these credits making collection or liquidation in full improbable based on currently existing facts. Loans classified "Loss," or risk rated 9, are of such little value they are no longer warranted as a bank asset and have been charged-off. Risk ratings are updated any time the facts and circumstances warrant.

Note 4. Loans (Continued)

Loans not meeting the criteria above that are analyzed individually as part of the of the above described process are considered pass-rated loans. The following tables present the internal asset classification based on the rating category and payment activity as of December 31, 2023 and 2022:

	Term Loans by Origination Year						Revolving	
	2023	2022	2021	2020	2019	Prior	Loans	Total
1-4 Family Residential								
Pass	$ 39,251,487	$ 44,860,259	$ 32,571,982	$ 16,424,431	$ 10,954,076	$ 41,506,482	$ 3,708,869	$ 189,277,586
Special Mention	-	-	42,052	-	-	206,661	-	248,713
Substandard	-	103,530	435,597	28,360	188,379	631,323	-	1,387,189
Total	$ 39,251,487	$ 44,963,789	$ 33,049,631	$ 16,452,791	$ 11,142,455	$ 42,344,466	$ 3,708,869	$ 190,913,488
Current period gross charge-offs	$ -	$ -	$ 6,829	$ 7,325	$ 19,497	$ 6,484	$ -	$ 40,135
Commercial Real Estate								-
Pass	55,363,242	103,735,621	26,776,587	12,103,931	8,380,286	44,280,868	-	250,640,535
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	62,471	-	-	467,238	-	529,709
Total	$ 55,363,242	$ 103,735,621	$ 26,839,058	$ 12,103,931	$ 8,380,286	$ 44,748,106	$ -	$ 251,170,244
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 19,018	$ -	$ 19,018
Commercial Ag/Farm								-
Pass	27,733,863	38,363,005	23,093,101	27,083,246	20,180,606	50,680,786	-	187,134,607
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	735,784	37,343	-	773,127
Total	$ 27,733,863	$ 38,363,005	$ 23,093,101	$ 27,083,246	$ 20,916,390	$ 50,718,129	$ -	$ 187,907,734
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial & Industry								-
Pass	24,569,598	19,079,036	12,153,050	10,863,227	1,466,301	34,451,479	-	102,582,691
Special Mention	19,796	-	-	-	-	165,337	-	185,133
Substandard	-	-	15,121	-	-	323,269	-	338,390
Total	$ 24,589,394	$ 19,079,036	$ 12,168,171	$ 10,863,227	$ 1,466,301	$ 34,940,085	$ -	$ 103,106,214
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Consumer Not Real Estate								-
Pass	10,971,953	6,938,728	3,313,569	2,517,597	925,344	973,437	-	25,640,628
Special Mention	-	-	-	-	-	-	-	-
Substandard	6,199	11,477	-	-	-	-	-	17,676
Total	$ 10,978,152	$ 6,950,205	$ 3,313,569	$ 2,517,597	$ 925,344	$ 973,437	$ -	$ 25,658,304
Current period gross charge-offs	$ 14,212	$ 86,451	$ 27,834	$ 43,889	$ 3,705	$ 29,321	$ -	$ 205,412

	2022				
	Pass	Special Mention	Substandard	Doubtful	Total
Residential Loans:					
1-4 Family Residential	$ 167,460,435	$ 431,052	$ 1,493,826	$ -	$ 169,385,313
Commercial Loans:					
Commercial Real Estate	201,394,255	143,226	508,361	-	202,045,842
Commercial Ag/Farm	184,481,711	-	920,223	-	185,401,934
Commercial & Industry	89,522,496	-	640,727	-	90,163,223
Total Commercial Loans	475,398,462	143,226	2,069,311	-	477,610,999
Consumer Loans:					
Other Consumer Not Real Estate	24,626,647	-	65,060	-	24,691,707
Total	$ 667,485,544	$ 574,278	$ 3,628,197	$ -	$ 671,688,019

Note 4. Loans (Continued)

Prior to the adoption of ASC 326, an impaired loan was one where the bank foresaw a high likelihood that they would not be able to recover the full principal and interest of the loan from the borrower according to the contractual terms of the loan agreement. Factors considered by management in determining impairment included payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The Company evaluated all loans rated 6, 7, or 8 individually for impairment.

The following tables present information about loans individually evaluated for impairment (impaired loans), by class of loans, as of December 31, 2022:

	2022				
	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With An Allowance	Total Recorded Investment	Related Allowance
Residential Loans:					
1-4 Family Residential	$ 1,731,093	$ 1,015,619	$ 585,395	$ 1,601,014	$ 45,680
Commercial Loans:					
Commercial Real Estate	510,541	472,635	35,726	508,361	16,268
Commercial Ag/Farm	1,020,298	35,000	885,223	920,223	498,670
Commercial & Industry	911,752	116,916	523,811	640,727	315,490
Total Commercial Loans	2,442,591	624,551	1,444,760	2,069,311	830,428
Consumer Loans:					
Other Consumer Not Real Estate	65,776	25,545	39,515	65,060	25,835
Total	$ 4,239,460	$ 1,665,715	$ 2,069,670	$ 3,735,385	$ 901,943

The following tables present information about loans individually evaluated for impairment (impaired loans), by class of loans, for the years ended December 31, 2022:

	Year Ended December 31, 2022		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Income Recognized from Impaired Loans
Residential Loans:			
1-4 Family Residential	$ 1,743,907	$ 46,008	$ 45,895
Commercial Loans:			
Commercial Real Estate	655,703	52,659	49,388
Commercial Ag/Farm	985,303	40,488	40,464
Commercial & Industry	681,521	76,439	67,482
Total Commercial Loans	2,322,527	169,586	157,334
Consumer Loans:			
Other Consumer Not Real Estate	71,667	5,345	4,948
Total	$ 4,138,101	$ 220,939	$ 208,177

Note 4. Loans (Continued)

Loan Modifications Made to Borrowers Experiencing Financial Difficulty - Modifications for economic or legal reasons related to the borrower's financial difficulties typically included one or a combination of the following: modification of terms, a reduction of the interest rate lower than the current market rate for a new debt with similar risks, a concession in principal payments, or a concession offered through longer maturities that are not otherwise consistent with terms offered under normal lending circumstances. These concessions were made for the purpose of providing leniency due to the borrower's troubled financial condition.

There were no loans modified for borrowers experiencing financial difficulty during the twelve months ended December 31, 2023 and 2022.

There were no loans modified for borrowers experiencing financial difficulty that during the twelve months prior to December 31, 2023 and 2022, had a payment default (i.e., 90 days or more past due following a modification) during the twelve months ended December 31, 2023 and 2022.

Note 5. Bank Premises and Equipment

Bank premises and equipment consist of:

	2023	2022
Land	$ 1,659,112	$ 1,659,112
Buildings and improvements	12,319,145	11,570,093
Furniture and equipment	7,199,171	6,536,957
	21,177,428	19,766,162
Less accumulated depreciation	11,090,974	10,376,004
	$ 10,086,454	$ 9,390,158

Note 6. Deposits

At December 31, 2023, the scheduled maturities of time deposits, including brokered time deposits, are as follows:

Year Ending December 31, 2023	Amount
2024	$ 198,282,504
2025	36,880,852
2026	12,576,946
2027	8,654,153
2028	637,082
	$ 257,031,537

Note 7. Securities Sold Under Agreements to Repurchase

Information concerning securities sold under agreements to repurchase which mature at various times over the next two years is summarized below:

	2023	2022
Average balance during the year	$ 13,006,693	$ 11,488,426
Average interest rate during the year	1.20%	0.36%
Maximum month end balance during the year	$ 18,217,861	$ 17,975,593

The following table represents the remaining contractual maturity of repurchase agreements disaggregated by the class of security pledged as of December 31, 2023:

	< 180 Days	180 Days to One Year	> One Year
U.S. government agencies	$ 2,158,400	$ -	$ -
States and political subdivisions	4,631,308	1,123,980	-
Residential mortgage-backed securities	180,724	2,231,286	-
	$ 6,970,432	$ 3,355,266	$ -

Note 8. Long-term Debt and Other Borrowings

As of December 31, 2023 and 2022, other borrowings consisted of the following:

	2023	2022
Federal Home Loan Bank - Overnight	$ 45,500,000	$ -
Federal Home Loan Bank (FHLB) - Fixed term advances	22,500,000	40,000,000
Federal Reserve Bank (FRB) - Bank Term Funding Program	10,000,000	-
	$ 78,000,000	$ 40,000,000

Aggregate annual maturities of FHLB Advances and FRB Bank Term Funding Program are as follows:

Year Ending December 31, 2023	FHLB	FRB
2024	$ 45,500,000	$ 10,000,000
2025	-	-
2026	5,000,000	-
2027	-	-
2028	17,500,000	-
Thereafter	-	-
	$ 68,000,000	$ 10,000,000

At December 31, 2023 the FHLB advances totaling $68 million were as follows:

- $45.5 million overnight advance, at 5.45%, due January 2, 2024
- $5 million advance, at 3.26%, due May 15, 2028, putable one-time, May 15, 2024
- $5 million advance, at 4.51%, due September 28, 2026, putable one-time, March 28, 2024
- $5 million advance, at 3.88%, due September 28, 2028, putable quarterly beginning, March 28, 2024
- $7.5 million advance, at 3.86%, due November 15, 2028, putable quarterly beginning May 15, 2024

Note 8. Long-term Debt and Other Borrowings (Continued)

The Bank's outstanding credit with the FHLB is secured by qualifying mortgage loans of approximately $352,610,000 and $205,396,000 at December 31, 2023 and 2022, respectively.

To support American businesses and households, the Federal Reserve Board, established the Bank Term Funding Program to make available additional funding to eligible depository institutions in order to help assure banks have the ability to meet the needs of all their depositors. Advances under the program are available up to one-year in length, and the interest rate is fixed for the term of the advance on the day the advance is made. The Bank received $10 million advance on December 21, 2023, at 4.88%, due January 22, 2024.

On August 16, 2023, the Company secured a $15.0 million revolving line of credit with Midwest Independent BankerBank. At December 31, 2023, there was no outstanding loan balance on the revolving credit agreement. The credit agreement has a maturity date of August 16, 2024, and is secured by the Company's stock in its Bank subsidiary. The credit agreement reprices quarterly at 2.00% above the Federal Reserve Bank of New York Secured Overnight Financing Rate (SOFR). Payments of all outstanding interest due are due each quarter beginning November 1, 2023. The Company has debt covenant requirements related to regulatory capital, nonperforming assets to tangible equity capital and reserves, non-performing loans to total loans, and return on average assets.

Note 9. Income Taxes

The components of income taxes for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Current	$ 4,258,499	$ 2,940,408
Deferred	(107,961)	(129,119)
	$ 4,150,538	$ 2,811,289

The actual income taxes for 2023 and 2022 differ from the expected income taxes for those years (computed by applying the statutory U.S. Federal tax rate to the income before income taxes) for the years ended December 31, 2023 and 2022, as follows:

	2023		2022	
	Dollar Amount	% of Pretax Income	Dollar Amount	% of Pretax Income
Computed "expected" tax expense	$ 3,334,514	21.0 %	$ 2,445,327	21.0 %
Increase (decrease) in income taxes resulting from:				
State income tax, net of federal tax benefit	1,038,700	6.5	722,371	6.2
Tax exempt income	(239,857)	(1.5)	(280,145)	(2.4)
Other	17,181	0.1	(76,264)	(0.7)
	$ 4,150,538	26.1 %	$ 2,811,289	24.1 %

Note 9. Income Taxes (Continued)

The effect of principal temporary differences as of December 31, 2023 and 2022, is as follows:

	2023	2022
Assets:		
Allowance for credit losses on loans	$ 2,452,901	$ 2,195,851
Allowance for credit losses on off-balance sheet credit exposures	113,165	-
Loans	219,479	176,968
Real estate held for sale	15,093	18,656
Employee benefit plan accruals	193,279	194,233
Pension liability	872,638	841,094
Unrealized loss on securities available for sale	4,346,187	5,115,427
Other	39,526	12,913
	8,252,268	8,555,142
Liabilities:		
Federal Home Loan Bank stock dividends	(21,065)	(30,809)
Bank premises and equipment	(420,192)	(371,802)
Purchase accounting adjustments	(681,525)	(432,604)
Prepaid expenses	(85,619)	(73,552)
Mortgage servicing rights	(136,532)	(152,351)
Other	(296,594)	(253,548)
	(1,641,527)	(1,314,666)
Deferred income tax asset, net	$ 6,610,741	$ 7,240,476

Note 10. Retirement Plans and Deferred Compensation Agreements

The Company has a noncontributory defined benefit pension plan that covers substantially all of its employees. To be eligible for the defined benefit pension plan, an employee must be 21 years of age and have completed one year of continuous service. Employees must also work at least 1,000 hours in each plan year to accrue additional benefits. The plan provides benefits based on the career earnings of each participant which are subject to certain reductions if the employee retires before reaching age 65.

U.S. GAAP requires the Company to reflect the plan's funded status on their consolidated balance sheets.

Information relative to this defined benefit pension plan, as of and for the years ended December 31, 2023 and 2022 is presented as follows:

	Pension Benefits	
	2023	2022
Changes in projected benefit obligations:		
Benefit obligation at beginning of year	$ 12,646,920	$ 17,009,574
Service cost	708,828	868,867
Interest cost	604,080	459,928
Benefits paid	(38,475)	(1,166,400)
Settlement	(3,199,895)	-
Actuarial gain (loss)	1,774,677	(4,525,049)
Benefit obligation at end of year	12,496,135	12,646,920
Change in plan assets:		
Fair value of plan assets at beginning of year	11,541,144	13,191,057
Employer contributions to plan	1,555,904	1,637,768
Actual return on plan assets	1,364,545	(2,121,281)
Benefits paid	(38,475)	(1,166,400)
Settlement	(3,199,895)	-
Fair value of plan assets at end of year	11,223,223	11,541,144
Funded status at end of year	$ (1,272,912)	$ (1,105,776)

Amounts recognized in accumulated other comprehensive loss at December 31, 2023 and 2022, consisted of $2,188,711 of loss, net of tax $872,638 and $2,109,594 of loss, net of tax $841,094, respectively.

The accumulated benefit obligation was $10,325,652 and $10,787,740 as of December 31, 2023 and 2022, respectively.

Note 10. Retirement Plans and Deferred Compensation Agreements (Continued)

Components of net periodic benefit cost are as follows:

	Pension Benefits	
	2023	2022
Net periodic benefit cost:		
Service cost	$ 708,828	$ 868,867
Interest cost	604,080	459,928
Expected return on plan assets	(632,248)	(662,887)
Recognition of net loss	147,635	297,278
Net periodic benefit cost	828,295	963,186
Effect of settlement	784,084	-
Net periodic benefit cost	$ 1,612,379	$ 963,186

Other changes in plan assets and benefit obligation recognized in other comprehensive (loss) are as follows:

	Pension Benefits	
	2023	2022
Net loss	$ (3,061,349)	$ (2,950,688)
Total recognized in other comprehensive (loss)	$ (3,061,349)	$ (2,950,688)
Total recognized in net periodic benefit cost and other comprehensive (loss)	$ (2,233,054)	$ (1,987,502)

The estimated net loss for the defined benefit plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2024 is $156,996.

	2023	2022
Weighted-average assumptions used in computing ending obligations:		
Discount rate	5.00%	5.20%
Rate of compensation increase	3.50%	3.50%
Weighted-average assumptions used in computing net periodic benefit cost:		
Discount rate	5.00%	2.90%
Rate of compensation increase	3.50%	3.00%
Expected return on plan assets	6.50%	5.75%

Management’s expected long-term rate of return on plan assets reflects the average rate of return which can be expected on the current plan assets and rates expected to be available for future investments of earnings and maturing investments.

Note 10. Retirement Plans and Deferred Compensation Agreements (Continued)

	Percentage of Plan Assets at December 31,	
	2023	2022
Equity securities	53%	53%
Fixed income securities	38%	38%
Other	9%	9%
	100%	100%

The Company's investment strategy in regard to pension plan assets is to achieve growth via a portfolio comprised primarily of debt and equity instruments.

Pension plan assets are reported at fair value utilizing Level 1 and Level 2 measurements. For pooled separate accounts (PSAs), investments may be in a single mutual fund, domestic stocks, international stock, or company bonds or fixed income securities. Publicly quoted pricing input is used in determining the net asset value ("NAV") of the pooled separate accounts, which is available to current investors via the employer website or when plan participants access their accounts. The NAV is the basis for the current transaction and the PSAs can be redeemed at NAV as of the measurement date. The NAV is calculated in a manner consistent with GAAP for investment companies. The fair value is based on third-party pricing vendors and utilize observable market information.

The following table sets forth by level, within fair value hierarchy, the Plan's assets at fair value as of December 31, 2023 and 2022:

	2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
Equity securities (PSA)	$ -	$ -	$ -	$ 5,922,864	$ 5,922,864
Fixed income securities (PSA)	-	-	-	4,300,946	4,300,946
Other (PSA)	-	-	-	999,413	999,413
	$ -	$ -	$ -	$ 11,223,223	$ 11,223,223

	2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
Equity securities (PSA)	$ -	$ -	$ -	$ 6,106,850	$ 6,106,850
Fixed income securities (PSA)	-	-	-	4,444,637	4,444,637
Other (PSA)	-	-	-	989,657	989,657
	$ -	$ -	$ -	$ 11,541,144	$ 11,541,144

Note 10. Retirement Plans and Deferred Compensation Agreements (Continued)

The following reflects actual and estimated employer contributions and benefit payments related to the pension plan:

Cash Flows	
Employer contributions:	Pension Plan
2022 (actual)	$ 1,637,768
2023 (actual)	1,555,904
2024 (estimated)	1,400,000
Benefit payments:	
2022	1,166,400
2023	38,475

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending December 31,	Amount
2024	$ 520,000
2025	790,000
2026	1,270,000
2027	680,000
2028	850,000
2029 - 2033	3,780,000

The Bank has deferred compensation agreements with certain officers and directors. The accrued benefits were $681,832 and $769,435 at December 31, 2023 and 2022, respectively, and the related expense for the years then ended was $6,760 and $12,040, respectively. The Bank has purchased life insurance contracts to assist in providing for this liability. The Bank is the owner and beneficiary of the life insurance policies which provide an aggregate coverage of approximately $39,286,000. These policies had cash values of approximately $20,384,000 and $19,222,000 at December 31, 2023 and 2022, respectively.

Note 11. Equity Incentive Plans

In April 2015, the Company adopted the 2015 Employee Equity Incentive Plan under which 20,000 shares were authorized to be used for granting restricted stock units, options, restricted stock, and other equity and cash incentive grants. Pursuant to this plan, the Company implemented a Stock Award program for bank employees in December 2015. The vesting period for granted shares may vary with ownership of the shares transferring to the participant upon vesting. The Company issues treasury shares to satisfy the vesting of restricted stock, restricted stock units, and performance share awards. When treasury shares are issued, they are relieved using the first-in, first-out method. A summary of the status of the stock award program at December 31, 2023 and 2022 is as follows:

	2023		2022	
Stock Awards	Shares	Weighted-Average Fair Value	Shares	Weighted-Average Fair Value
Non-vested at beginning of year	4,497	$ 419	4,659	$ 419
Granted	2,100	473	2,170	473
Vested and transferred to participant	(1,338)	418	(2,299)	418
Forfeited	(138)	466	(33)	466
Non-vested at end of year	5,121	$ 445	4,497	$ 445

The total compensation cost at December 31, 2023, related to non-vested shares not yet recognized was approximately $1,700,000 with an average expense recognition period of 2.5 years.

Note 12. Commitments, Contingencies and Credit Risk

Financial instruments with off-balance-sheet risk: The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the commitments is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as they do for on-balance-sheet instruments.

A summary of the Bank's commitments at December 31, 2023 and 2022, is as follows:

	2023	2022
Commitments to extend credit	$109,800,000	$121,467,000
Standby letters of credit	3,372,000	2,018,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The commitments are made primarily under variable rate agreements. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate and income-producing commercial properties.

Note 12. Commitments, Contingencies and Credit Risk (Continued)

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies, as specified above, and is required in instances which the Bank deem necessary.

As of December 31, 2023, and 2022, the Bank has no futures, forwards, swaps or option contracts or other financial instruments with other similar characteristics that are significant to the consolidated financial statements.

Concentrations of credit risk: Substantially all of the Bank's loans, commitments to extend credit and standby letters of credit have been granted to customers in the Bank's market area. Although the Bank has a diversified loan portfolio, a substantial portion of the debtors' ability to honor their contracts is dependent on the agricultural economic sector.

Goodwill: As discussed in Note 1, the Company annually tests its goodwill for impairment. At the most recent testing date, the fair value of the reporting unit exceeds its carrying value. Management believes it has applied a reasonable judgement in developing its estimates; however, unforeseen negative changes in the national, state, or local economic environment may negatively impact those estimates in the near term.

Contingencies: In the normal course of business, the Bank is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's consolidated financial statements.

Note 13. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the 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 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.

In July 2013, the Federal Reserve Board and the Federal Deposit Insurance Corporation issued final rules to implement the Basel III regulatory capital and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Phase-in period for community banking organizations began January 1, 2015. The final rules call for the following capital requirements:

- A minimum ratio of common tier I capital to risk-weighted assets of 4.5%
- A minimum ratio of tier I capital to risk-weighted assets of 6%
- A minimum leverage ratio of tier I capital to average assets of 4%

In addition, the final rules establish a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations. If a banking organization fails to hold capital above the minimum capital ratios and the capital conservation buffer, it will be subject to certain restrictions on capital distributions and discretionary bonus payments. The phase-in period for the capital conservation and countercyclical capital buffers for all banking organizations began on January 1, 2016 and was fully phased in as of December 31, 2019.

Note 13. Regulatory Capital Requirements (Continued)

As of September 30, 2023, the most recent notification from the FDIC 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 total risk-based, Tier I risk-based, common equity Tier I and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The following table summarizes regulatory capital information as of December 31, 2023 and 2022 for the Bank. Regulatory capital ratios were calculated in accordance with Basel III rules for the years ended December 31, 2023 and 2022.

The Bank's actual and required capital amounts and ratios are presented in the following tables:

	2023					
	Actual:		Minimum Capital Requirements:		Well Capitalized Standard:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital ratio (to risk-weighted assets):	$108,466,000	14.06%	$ 61,716,000	8.00%	$ 77,145,000	10.00%
Tier I capital ratio (to risk-weighted assets):	$ 99,464,000	12.89%	$ 46,298,000	6.00%	$ 61,731,000	8.00%
Common equity Tier I capital ratio (to risk-weighted assets):	$ 99,464,000	12.89%	$ 34,724,000	4.50%	$ 50,156,000	6.50%
Tier I leverage ratio (to adjusted average assets):	$ 99,464,000	10.10%	$ 39,392,000	4.00%	$ 49,240,000	5.00%

	2022					
	Actual:		Minimum Capital Requirements:		Well Capitalized Standard:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital ratio (to risk-weighted assets):	$ 94,765,000	13.76%	$ 55,096,000	8.00%	$ 68,870,000	10.00%
Tier I capital ratio (to risk-weighted assets):	$ 87,062,000	12.64%	$ 41,327,000	6.00%	$ 55,103,000	8.00%
Common equity Tier I capital ratio (to risk-weighted assets):	$ 87,062,000	12.64%	$ 30,995,000	4.50%	$ 44,771,000	6.50%
Tier I leverage ratio (to adjusted average assets):	$ 87,062,000	9.23%	$ 37,730,000	4.00%	$ 47,163,000	5.00%

The Company's principal asset is its investment in the subsidiary bank. The primary source of funds for the Company is dividends from its subsidiary. The Bank would not be allowed to pay dividends that would result in their capital levels being reduced below the minimum requirements shown above.

Note 14. Accumulated Other Comprehensive (Loss)

The components of accumulated other comprehensive (loss), net of tax, as of December 31, 2023 and 2022, were as follows:

	2023	2022
Net unfunded liability for defined benefit post-retirement benefit plan	$ (2,188,711)	$ (2,109,594)
Net unrealized gain (loss) on securities available for sale	(10,900,918)	(12,830,292)
	$ (13,089,629)	$ (14,939,886)

Note 15. Fair Value Measurements

The Company has adopted the provisions of FASB ASC 820, Fair Value Measurements and Disclosures, for assets, liabilities, nonfinancial assets and nonfinancial liabilities measured and reported at fair value. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, a fair value hierarchy is established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs that reflect the Company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Company’s own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

Note 15. Fair Value Measurements (Continued)

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company's monthly and/or annual valuation process. There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Securities available for sale (recurring): Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 measurements. For all securities, the Company obtains fair value measurements from an independent pricing service. The independent pricing service evaluations are based on market data. The independent pricing service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, the independent pricing service evaluates pricing applications and applies available information, as applicable, through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations. In addition, the independent pricing service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models.

The market inputs that the independent pricing service normally seeks for evaluations of securities, listed in approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. The independent pricing service also monitors market indicators, industry and economic events. Information of this nature is a trigger to acquire further market data. For certain security types, additional inputs may be used, or some of the market inputs may not be applicable. Evaluators may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs listed are available for use in the evaluation process for each security evaluation on a given day. Because the data utilized was observable, the securities have been classified as Level 2 in the FASB ASC 820 fair value hierarchy.

Collateral dependent loans (nonrecurring): Collateral dependent loans are evaluated and adjusted to fair value at the time the loan is identified as collateral dependent. Collateral dependent loans are carried at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the collateral dependent loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the collateral dependent loan as non-recurring Level 3. Collateral dependent loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

Note 15. Fair Value Measurements (Continued)

Real estate held for sale (nonrecurring): The Bank records nonrecurring adjustments to certain commercial and residential real estate properties classified as real estate held for sale, which are measured at fair value, less estimated costs to sell. Such fair value amounts are generally based on appraisals of the property values or the property's observable market price. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation and/or management's expertise and knowledge of the applicable real estate market. Properties valued using current year third party appraisals are considered Level 2 in the fair value hierarchy. Adjustments made by management that are considered Level 3 adjustments will cause the fair value to be classified at a Level 3 in the fair value hierarchy. In cases where the carrying amount exceeds the fair value, less estimated costs to sell, an impairment loss is recognized.

Mortgage Servicing Rights (nonrecurring): Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage service rights are classified within Level 3 of the hierarchy. Mortgage servicing rights are tested for impairment annually. Management measures mortgage servicing rights through a third party and the assumptions are reviewed by management.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Securities available for sale:				
U.S. government agencies	$ -	$ 69,031,743	$ -	$ 69,031,743
States and political subdivisions	-	62,711,797	-	62,711,797
Residential mortgage-backed securities	-	30,505,921	-	30,505,921
	$ -	$ 162,249,461	$ -	$ 162,249,461

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Securities available for sale:				
U.S. government agencies	$ -	$ 111,704,858	$ -	$ 111,704,858
States and political subdivisions		61,784,266	-	61,784,266
Residential mortgage-backed securities	-	35,414,825	-	35,414,825
	$ -	$ 208,903,949	$ -	$ 208,903,949

Note 15. Fair Value Measurements (Continued)

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period.

Assets measured at fair value on a nonrecurring basis as of December 31, 2023 and 2022, are included in the tables below.

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Collateral dependent loans	$ -	$ -	$ 1,108,970	$ 1,108,970
Real estate held for sale	-	-	175,452	175,452

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Collateral dependent loans	$ -	$ -	$ 1,167,727	$ 1,167,727
Real estate held for sale	-	-	288,071	288,071
Mortgage servicing rights	-	-	865,507	865,507

The following tables present quantitative information about unobservable inputs used in the nonrecurring Level 3 fair value measurements at December 31, 2023 and 2022:

	Fair Value at 12/31/2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	$ 1,108,970	Market comparable properties	Maketability discount	15% - 25% (18%)
Real estate held for sale	175,452	Market comparable properties	Comparability adjustment (%)	Not available

	Fair Value at 12/31/2022	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	$ 1,167,727	Market comparable properties	Maketability discount	10% - 29% (16%)
Real estate held for sale	288,071	Market comparable properties	Comparability adjustment (%)	Not available
Mortage servicing rights	865,507	Discounted cash flow	Discount rate Prepayment rate	9% 122-361 (129)

Note 16. Fair Value of Financial Instruments

Fair value of financial instruments: FASB ASC 820, Fair Value Measurements and Disclosures, requires disclosure of the estimated fair value of an entity's financial instrument assets and liabilities. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. 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. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The guidance excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The carrying amounts and estimated fair values of financial instruments are shown below. Carrying amount approximate fair value for cash and due from banks, certificate of deposit, nonmarketable equity securities, accrued interest receivable and payable, demand and savings deposits, securities sold under agreements to repurchase, and variable-rate loans or deposits that reprice frequently and fully. The fair value of securities available-for-sale and securities held to maturity are based on quoted market prices of comparable instruments. For all loans except variable rate loans described above, fixed rate time deposits or brokered deposits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk.

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	2023			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and due from banks	$ 29,489,017	$ 29,489,017	$ -	$ -
Securities available for sale	162,249,461	-	162,249,461	-
Securities held to maturity	4,988,823	-	4,926,327	-
Nonmarketable equity securities	5,502,766	-	5,502,766	-
Loans	749,496,715	-	-	708,528,934
Accrued interest receivable	7,455,552	-	7,455,552	-
Financial liabilities:				
Deposits	806,448,987	-	549,417,450	262,012,653
Securities sold under agreements to repurchase	10,325,698	-	10,325,698	-
Other borrowings	78,000,000	-	78,000,000	-
Accrued interest payable	1,379,924	-	1,379,924	-

Note 16. Fair Value of Financial Instruments (Continued)

	2022			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and due from banks	$ 44,567,799	$ 44,567,799	$ -	$ -
Securities available for sale	208,903,949	-	208,903,949	-
Securities held to maturity	6,071,068	-	5,926,772	-
Nonmarketable equity securities	4,062,766	-	4,062,766	-
Loans	663,368,864	-	-	618,926,831
Accrued interest receivable	6,297,922	-	6,297,922	-
Financial liabilities:				
Deposits	825,767,878	-	646,750,591	180,573,149
Securities sold under agreements to repurchase	17,975,593	-	17,975,593	-
Other borrowings	40,000,000	-	40,000,000	-
Accrued interest payable	320,046	-	320,046	-

In addition, other assets and liabilities of the Company that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. Also, nonfinancial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the earnings potential of the trust operations, the trained work force, customer goodwill and similar items.

Note 17. Pontiac Bancorp, Inc. (Parent Only)

Condensed Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	**$ 6,309,282**	$ 10,012,775
Investment in subsidiary	**102,515,859**	88,560,048
Goodwill	**61,873**	61,873
Other assets	**1,292,323**	553,468
	$110,179,337	$ 99,188,164
Liabilities and Stockholders' Equity		
Liabilities:		
Stock payable	**$ 620,054**	$ 474,702
Accrued expenses and other liabilities	**83,869**	89,573
	703,923	564,275
Stockholders' equity:		
Common stock	**2,402,000**	2,402,000
Surplus	**6,602,865**	6,293,424
Retained earnings	**123,730,158**	114,978,606
Accumulated other comprehensive (loss)	**(13,089,629)**	(14,939,886)
	119,645,394	108,734,144
Less cost of treasury stock	**10,169,980**	10,110,255
	109,475,414	98,623,889
	$110,179,337	$ 99,188,164

Condensed Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Dividends from subsidiary	**$ -**	$ 9,500,000
Operating expenses	**(1,014,688)**	(1,357,990)
Income before income tax benefit and equity in undistributed income of subsidiary	**(1,014,688)**	8,142,010
Income tax (benefit)	**(287,281)**	(384,363)
Income before equity in undistributed income of subsidiary	**(727,407)**	8,526,373
Equity in undistributed income of subsidiary	**12,455,508**	306,754
Net income	**$ 11,728,101**	$ 8,833,127
Comprehensive income (loss)	**$ 13,578,358**	$ (4,452,475)

Note 17. Pontiac Bancorp, Inc. (Parent Only) (Continued)

Condensed Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	**$ 11,728,101**	$ 8,833,127
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed income of subsidiary	**(12,455,508)**	(306,754)
Stock Awards Expense	**723,117**	941,559
Change in assets and liabilities:		
Decrease (Increase) in other assets	**(738,855)**	660,323
Increase in accrued expenses and other liabilities	**(5,704)**	(115,523)
Net cash provided by (used in) operating activities	**(748,849)**	10,012,732
Cash flows from financing activities:		
Cash dividends paid	**(2,626,595)**	(2,050,312)
Purchase of treasury stock	**(328,049)**	(230,162)
Repayment of long term debt	**-**	(11,250,000)
Net cash used in financing activities	**(2,954,644)**	(13,530,474)
Net decrease in cash	**(3,703,493)**	(3,517,742)
Cash:		
Beginning	**10,012,775**	13,530,517
Ending	**$ 6,309,282**	$ 10,012,775
Supplemental Schedule of Noncash Financing Activities:		
Issuance of treasury stock for vested stock awards	**$ 577,765**	$ 962,010