RIVER VALLEY COMMUNITY BANCORP

Yuba City, California

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

RIVER VALLEY
COMMUNITY BANCORP

April 16, 2024

To Our Shareholders,

Accompanying this letter, you will find the 2023 Consolidated Financial Statements for River Valley Community Bancorp and its wholly owned subsidiary, River Valley Community Bank (collectively referred to as the “Company”). Along with this report, we are providing additional context for you regarding the Company’s continued growth and development.

2023 reflected a continuation of a challenging period for the banking industry. Between January and July of last year, the Federal Reserve’s Open Market Committee increased Fed Funds rates four additional times adding one full percentage point which brought the overnight Fed Funds rate to 5.25-5.50%. For reference, these rates stood at virtually zero when the Fed embarked on their tightening cycle in March of 2022. This steep increase in short-term rates over such a short period exposed questionable risk management practices that led to the failure of three large regional banks in 2023. In addition, the higher short-term rates put bank deposits squarely in competition with products offered by non-bank financial institutions and US government debt securities causing deposit flows out of the industry. This also drove increased deposit costs for the industry.

Our bank was not immune from these influences as we saw our deposit costs in 2023 increase to $5.4 million from $1.0 million in 2022. Despite this sharp increase in our funding costs, the bank still achieved net income after tax for the year of $5.9 million. Further, the strong financial foundation we have created allowed us to continue investing in our geographic coverage area with the opening of our Loan Production Office in Roseville during the second quarter of 2023. We anticipate this new office to be profitable in 2024.

The Bank’s strong liquidity and capital position enabled us to lend when other banks were tapping the brakes. In 2023, we increased our loan portfolio by $37 million or 14.4%, which put us in the 78th percentile for loan growth when compared to our UBPR (Uniform Bank Performance Report) peer group of nearly 1,300 banks. Our credit portfolio is performing well, and our liquidity provides a strong footing to continue supporting the lending needs of the communities we serve in 2024.

For 2024, we expect that higher deposit costs will continue to present earnings headwinds for our Bank but believe this impact will moderate as interest rates stabilize. We also anticipate that our loans and securities will continue to re-price at higher market rate levels, allowing us to achieve increased margins and earnings as we transition out of 2024 with potential tailwinds. We believe there is considerable room to grow in the markets served by our established four full-service branches. In addition, our offices in the Reno and Roseville markets reflect significant growth opportunities for the Bank.

It's hard to believe that in June, we will be celebrating our 18th anniversary. We should all be proud of the exceptional institution we have built and the strong reputation we have established in our markets. We continue our focus on delivering highly valued, relationship based and community focused banking services, which positions us uniquely in our markets. Looking forward, we see continued success for our bank, and we remain committed to our customers, employees, and shareholders.

Thank you for your continued interest in and support of River Valley Community Bank!

Sincerely,

John M Jelavich
President & CEO

Stephen F Danna
Chairman of the Board

Forward Looking Statements: This document may contain comments and information that constitute forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Forward-looking statements speak only as to the date they are made. The Bank does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
River Valley Community Bancorp
Yuba City, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of River Valley Community Bancorp and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in shareholders' 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 the Company 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 the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of FASB Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as of January 1, 2023, using the modified retrospective approach with an adjustment at the beginning of the adoption period. 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 these 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 the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be 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 the judgment made by a reasonable user based on the consolidated 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

San Ramon, California
March 19, 2024

River Valley Community Bancorp
Consolidated Balance Sheets
Years Ended December 31, 2023 and 2022

	2023	2022
Assets		
Cash and noninterest bearing due from banks	$ 11,930,613	$ 6,755,238
Interest bearing deposits in banks	27,729,526	83,616,839
Total cash and cash equivalents	39,660,139	90,372,077
Time deposits in banks	747,000	1,987,000
Debt securities available-for-sale, at fair value, (amortized cost of $237,151,785 and $276,880,278, net of zero allowance for credit losses)	219,037,069	253,188,077
Loans, net of allowance for credit losses of $4,260,090 and 3,512,755, at 2023 and 2022, respectively	290,448,295	253,890,382
Premises and equipment, net	6,269,188	6,460,325
Cash surrender value of life insurance	10,766,338	10,479,948
Accrued interest receivable and other assets	14,884,698	13,898,204
Total assets	$ 581,812,727	$ 630,276,013
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits - noninterest bearing	$ 189,470,821	$ 242,417,018
Demand deposits - interest bearing	106,132,842	110,793,179
Money market and savings deposits	194,591,756	220,147,749
Time deposits - under $250,000	21,190,227	11,104,529
Time deposits - $250,000 or more	20,662,252	6,895,186
Total deposits	532,047,898	591,357,661
Accrued interest payable and other liabilities	3,492,330	2,298,512
Total liabilities	535,540,228	593,656,173
Shareholders' equity:		
Preferred stock – no par value; 5,000,000 shares authorized; no shares outstanding	-	-
Common stock – no par value; 50,000,000 shares authorized; 3,100,660 and 3,084,911 shares issued and outstanding in 2023 and 2022, respectively	17,756,970	17,426,374
Retained earnings	41,275,534	35,882,252
Accumulated other comprehensive loss	(12,760,005)	(16,688,786)
Total shareholders' equity	46,272,499	36,619,840
Total liabilities and shareholders' equity	$ 581,812,727	$ 630,276,013

See accompanying notes

River Valley Community Bancorp
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest income:		
Interest and fees on loans	$ 13,807,884	$ 11,622,064
Interest on taxable debt securities	7,695,674	5,392,682
Interest on debt securities exempt from Federal taxes	330,215	913,364
Interest on deposits in banks and other	2,492,974	1,507,254
Total interest income	24,326,747	19,435,364
Interest expense:		
Interest on demand deposits	311,338	100,436
Interest on money market and savings deposits	3,984,256	830,118
Interest on time deposits	1,072,112	109,266
Interest on Federal Home Loan Bank borrowings	16	-
Total interest expense	5,367,722	1,039,820
Net interest income	18,959,025	18,395,544
Provision for credit losses	514,200	-
Net interest income after provision for credit losses	18,444,825	18,395,544
Noninterest income:		
Service charges and fees	463,599	461,706
Earnings on cash surrender value of life insurance	286,390	261,134
Gain (loss) on sales and calls of investment securities, net	(8,247)	497
Other	252,734	163,636
Total noninterest income	994,476	886,973
Noninterest expense:		
Salaries and employee benefits	7,029,654	6,117,379
Occupancy and equipment	951,051	865,330
Data processing and information technology	840,360	681,299
Directors' expense	403,997	418,055
Professional fees	501,282	394,527
Insurance and assessments	365,861	268,975
Other	1,271,370	1,129,006
Total noninterest expense	11,363,575	9,874,571
Income before income tax expense	8,075,726	9,407,946
Income tax expense	2,166,024	2,549,910
Net income	$ 5,909,702	$ 6,858,036
Earnings per share - basic	$ 1.91	$ 2.24
Earnings per share - diluted	$ 1.85	$ 2.18

	2023	2022
Net income	$ 5,909,702	$ 6,858,036
Other comprehensive income (loss):		
Investment securities available-for-sale:		
Unrealized gains (losses) arising during the year	5,569,238	(28,855,522)
Reclassification adjustments for net (gains) losses in earnings	8,247	(497)
Income tax (expense) benefit	(1,648,704)	8,529,839
Total other comprehensive income (loss)	3,928,781	(20,326,180)
Total comprehensive income (loss)	$ 9,838,483	$ (13,468,144)

River Valley Community Bancorp
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock			Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Retained Earnings	Income (Loss)	Equity
Balance, December 31, 2021	3,032,582	$ 16,766,016	$ 29,024,216	$ 3,637,394	$ 49,427,626
Net income	-	-	6,858,036	-	6,858,036
Other comprehensive loss	-	-	-	(20,326,180)	(20,326,180)
Stock compensation expense	-	307,345	-	-	307,345
Stock options exercised	43,174	378,508	-	-	378,508
Shares withheld related to net share settlement of stock options	(1,209)	(25,495)			(25,495)
Restricted stock units vested	10,364	-	-	-	-
Balance, December 31, 2022	3,084,911	17,426,374	35,882,252	(16,688,786)	36,619,840
Cumulative change in accounting principle (note 1)			(516,420)		(516,420)
Balance at January 1, 2023 (as adjusted for change in accounting principle)	3,084,911	17,426,374	35,365,832	(16,688,786)	36,103,420
Net income	-	-	5,909,702	-	5,909,702
Other comprehensive income	-	-	-	3,928,781	3,928,781
Stock compensation expense	-	330,596	-	-	330,596
Stock options exercised	7,875	84,766	-	-	84,766
Shares withheld related to net share settlement of stock options	(3,686)	(84,766)	-	-	(84,766)
Restricted stock units vested	11,560	-	-	-	-
Balance, December 31, 2023	3,100,660	$ 17,756,970	$ 41,275,534	$ (12,760,005)	$ 46,272,499

River Valley Community Bancorp
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 5,909,702	$ 6,858,036
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	514,200	-
Depreciation, amortization, and accretion, net	219,515	851,990
Earnings on cash surrender value of life insurance	(286,390)	(261,134)
Gain (loss) on sales and calls of investment securities, net	8,247	(497)
Change in deferred loan fees, net	(77,803)	35,309
Deferred income tax expense (benefit)	(175,357)	83,154
Stock compensation expense	330,596	307,345
Change in accrued interest receivable and other assets	(2,729,961)	1,402,258
Change in accrued interest payable and other liabilities	1,280,653	(1,103,542)
Net cash from operating activities	4,993,402	8,172,919
Cash flows from investing activities:		
Maturities (purchases) of time deposits in banks	1,240,000	(249,000)
Debt securities available-for-sale:		
Purchases	(20,967,751)	(84,088,882)
Maturities and calls	14,015,000	19,565,000
Principal payments	8,894,161	9,726,119
Sales	37,845,514	-
Change in loans, net	(37,327,445)	(7,409,988)
Purchases of premises and equipment	(95,056)	(55,186)
Net cash from (used in) investing activities	3,604,423	(62,511,937)
Cash flows from financing activities:		
Change in non-time deposits, net	(83,162,527)	48,536,956
Change in time deposits, net	23,852,764	(5,198,851)
Shares withheld related to net share settlement of stock options	(84,766)	(25,495)
Stock options exercised	84,766	378,508
Net cash (used in) from financing activities	(59,309,763)	43,691,118
Change in cash and cash equivalents	(50,711,938)	(10,647,900)
Cash and cash equivalents, beginning of year	90,372,077	101,019,977
Cash and cash equivalents, end of year	$ 39,660,139	$ 90,372,077
Supplemental cash flow disclosures:		
Supplemental disclosure of non-cash activities:		
Right of use asset acquired in exchange for an operating lease liability	$ 486,835	$ -
Cumulative effect of change in accounting principle (note 1)	$ (516,420)	$ -
Supplemental disclosure of cash flow activities:		
Interest paid	$ 5,238,251	$ 1,031,075
Income taxes paid	$ 3,016,688	$ 2,130,000

See accompanying notes

Note 1. Summary of Significant Accounting Policies

General – On February 9, 2017, River Valley Community Bancorp (the "Bancorp") was formed as a California corporation and subsequently became the sole shareholder of River Valley Community Bank (the "Bank"). The Bancorp and the Bank are collectively referred to as the "Company", and they share a common board of directors and certain executive officers. The Bank was approved as a state-chartered, non-member bank on December 27, 2005 and is subject to regulation by the California Department of Financial Protection and Innovation (the "DFPI") and the Federal Deposit Insurance Corporation (the "FDIC"). The Bank's deposits are insured by the FDIC up to applicable legal limits. The Company is headquartered in Yuba City, California with branches in Yuba City, Grass Valley, Auburn, and Marysville, California. The Company also operates loan production offices in Reno, Nevada, and Roseville, California. The Company provides financial products and services to small to middle-market businesses and professionals located in Sutter, Yuba, Nevada, Placer, Washoe and surrounding counties.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and prevailing practices within the banking industry.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All material intercompany transactions, profits and balances have been eliminated. The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). As of December 31, 2023, the Company had one wholly-owned subsidiary.

Accounting changes and reclassification – 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 replaces the incurred loss model with an expected loss methodology that is referred to as the current expected credit loss methodology ("CECL"). The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet commitments. In addition, the amendments in ASC 326 require credit losses on available-for-sale debit securities to be presented as a valuation allowance rather than a direct write-down on such assets.

The Company adopted Accounting Standards Codification Topic 326 (or "ASC 326") using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet ("OBS") commitments. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $516,420 as of January 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment resulted from applying the CECL method, which was based on economic forecasts and other assumptions as of December 31, 2022. Refer to Note 3, Loans and Allowance for Credit Losses, for more information.

The following table illustrates the impact of ASC 326.

	January 1, 2023		
	Pre-ASC 326 Adoption	Impact of ASC 326	As Reported under ASC 326
Assets:			
Allowance for credit losses on loans	$ (3,512,755)	$ (333,135)	$ (3,845,890)
Deferred tax assets	$ 8,119,122	$ 216,715	$ 8,335,837
Liabilities:			
Allowance for credit losses on OBS exposures	$ (190,000)	$ (400,000)	$ (590,000)
Shareholders' equity:			
Retained earnings, net of tax	$ (35,882,252)	$ 516,420	$ (35,365,832)

The Company did not record any allowance for credit losses on debt securities upon the adoption of CECL as all of the Company's debt securities were considered available-for-sale and consisted primarily of debt securities implicitly or explicitly backed by the U.S. Government and high credit quality obligations of state and political subdivisions. Refer to note 2, Debt Securities Available for Sale, for more information.

As of December 31, 2023, and 2022, we have reclassified provision for credit losses on off-balance sheet commitments from non-interest expense to a separate line item under the provision for credit losses on loans in the consolidated statements of income.

The Company also adopted ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which replaces the troubled debt restructuring recognition and measurement guidance. The amendment enhances the existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. This amendment requires that an entity disclose current-period gross write-offs by year of origination for financing receivables within scope of ASC 326. Refer to Note 3, Loans and Allowance for Credit Losses, for more information.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, due from banks, and interest bearing deposits in banks that are due on demand.

Time deposits in banks – Time deposits in banks have original maturities exceeding ninety days, have remaining maturities through August 2024, and are carried at cost. Time deposits in banks are fully insured up to the FDIC legal limits.

Debt securities – Debt securities are classified as available-for-sale and are reported at fair value, net of allowance for credit losses, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss). Gains or losses on the sale of debt securities are computed on the specific identification method at the trade date. Interest earned on debt securities is reported in interest income, net of applicable adjustments for accretion of discounts and amortization of premiums.

Allowance for credit losses on available for sale debt securities - For available-for-sale debt securities in an unrealized loss position ("impaired security"), we assess whether 1) we intend to sell the security, or, 2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. Under either of these conditions, the security's amortized cost is written down to fair value through a charge to previously recognized allowances or earnings, as applicable. For impaired securities that do not meet these conditions, we assess whether the decline in fair value was due to credit loss or other factors. This assessment considers, among other things: 1) the extent to which the fair value is less than amortized cost, 2) the financial condition and near-term prospects of the issuer, 3) any changes to the rating of the security by a rating agency, and 4) our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss component. Any impairment due to non-credit-related factors that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss). The discount rate used in determining the present value of the expected cash flows is based on the effective interest rate implicit in the security at the date of purchase.

Changes in allowance for credit losses are recorded as a provision for credit loss expense. Losses are charged against the allowance when management believes the debt security is uncollectable or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale debt securities totaled $2,418,696, at December 31, 2023, was reported in accrued interest receivable and other assets on the consolidated balance sheets and is excluded from the estimate of credit losses.

Loans – Loans are reported at amortized cost, which is the principal amount outstanding net of deferred fees (costs), and net charge-offs (recoveries). Accrued interest receivable on loans totaled $985,267, at December 31, 2023, was reported in accrued interest receivable and other assets on the consolidated balance sheets and is excluded from the estimate of credit losses. We do not measure an allowance for credit losses on accrued interest receivable balances because these balances are written off in a timely manner as a reduction to interest income when loans are placed on non-accrual status. A loan is placed on non-accrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans or payments received on nonaccrual loans for which the ultimate collectability of principal is not in doubt are applied first to earned but unpaid interest and then to principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Interest income is accrued daily using the simple interest method. Fees collected upon loan origination and certain direct costs of originating loans are deferred and recognized over the contractual lives of the related loans as yield adjustments using the interest method or straight-line method, as applicable. Upon prepayment or other disposition of the underlying loans before their contractual maturities, any associated unearned fees or unamortized costs are recognized.

Allowance for credit losses – loans ("ACL") – The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management confirms a loan balance is uncollectible.

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 provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level or terms as well as for changes in environmental conditions, such as changes in unemployment rates, property values or other relevant factors. Credit loss experience provides the basis for the estimation of expected credit losses.

The ACL model uses a weighted average remaining maturity ("WARM") method to measure the expected credit losses on loans collectively evaluated that are segmented by loan pools with similar credit risk characteristics, which are generally comprised of federal regulatory reporting codes (i.e.; Call Codes). Pooled segments include the following:

- Loans secured by real estate
    - 1-4 family residential construction loans
    - Other construction loans and all land development loans
    - Secured by farmland
    - Revolving open-end loans secured by 1-4 family residential properties
    - Closed-end loans secured by 1-4 family residential properties, secured by first liens
    - Closed-end loans secured by 1-4 family residential properties, secured by junior liens
    - Secured by multifamily residential properties
    - Commercial real estate loans secured by owner-occupied non-farm nonresidential properties
    - Commercial real estate loans secured by non-farm nonresidential properties
- Loans to finance agricultural production and other loans to farmers
- Commercial and industrial loans
- Loans to individuals for household, family and other personal expenditures

Under the WARM method, the ACL utilizes both the Company's and peer banks' historic loss experience as the base line for determining current and forecasted credit losses. For each pooled segment, a snapshot of loss history is used in estimating current and forecasted credit losses. The period of loss history is selected using the annual percentage change in the national gross domestic product as the primary economic forecast driver for all segments. The ACL model incorporates a one-year reasonable and supportable forecast of economic factors, updated quarterly, which is based on the Federal Open Market Committee's quarterly summary of economic projections. After the forecast period there is a reversion period of one year and then management has elected to default to the average of historical losses, by portfolio segment. The reversion to historical losses occurs on a straight-line basis.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments and curtailments, when appropriate. The pooled loans' contractual loan terms exclude extensions, renewals, and modifications.

Loans that do not share the same risk characteristics as pooled loans are evaluated individually for credit loss and generally include all non-accrual loans, collateral dependent loans, and loans graded substandard or worse as determined by management.

Management considers whether adjustments to the quantitative portion of the ACL are needed for differences in segment-specific risk characteristics or to reflect the extent to which it expects current conditions and reasonable and supportable forecasts of economic conditions to differ from the conditions that existed during the historical period included in the development of the loss history snapshot. Qualitative internal and external risk factors include, but are not limited to, the following:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
- Changes in the nature and volume of the portfolio and in the terms of loans
- Changes in the experience, ability, and depth of lending management and other relevant staff
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans
- Changes in the quality of the institution’s loan review system
- Changes in the value of underlying collateral for collateral-dependent loans
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution’s existing portfolio

The Company assigns a risk rating to all loans and periodically performs detailed reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate, and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into five major categories, defined as follows:

Pass – A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention – A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and charged off immediately.

While we believe we use the best information available to determine the allowance for credit losses, our results of operations could be significantly affected if circumstances differ substantially from the assumptions used in determining the allowance. Our ACL model is sensitive to changes in national gross domestic product forecasts and certain other assumptions that could result in material fluctuations in the allowance for credit losses and adversely affect our financial condition and results of operations.

For further information regarding the allowance for credit losses, see Note 3, Loans and Allowance for Credit Losses.

Management believes the allowance for credit losses is appropriate for the CECL in our loan portfolio and associated off-balance sheet commitments, and the risk ratings and inherent loss rates currently assigned are reasonable and appropriate as of the reporting date.

Allowance for credit losses on off-balance sheet credit exposures – The Company also maintains a separate allowance for off-balance sheet commitments to extend credit. Management estimates anticipated losses using historical data and probability of funding assumptions. The allowance for commitments to extend credit is included in accrued interest payable and other liabilities on the balance sheet and is not significant.

Premises and equipment – Land is carried at cost. Premises and equipment are carried at cost, less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets. The useful lives of premises are estimated to be 15 to 39 years. The useful lives of furniture, fixtures, and equipment are estimated to be 3 to 10 years. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The Company evaluates premises and equipment for financial impairment, as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Transfer of financial assets – Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been legally isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets.

Leases – The Company enters into leases in the normal course of business. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. The Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the consolidated balance sheet. Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right of use assets represent the Company's right to use an underlying asset for the lease term and are included in accrued interest receivable and other assets on the consolidated balance sheet. Lease liabilities represent the Company's obligation to make lease payments arising from the lease and are included in accrued interest payable and other liabilities on the consolidated balance sheet. Right of use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term, discounted using the Company's incremental borrowing rate.

Cash surrender value of life insurance – The Company maintains life insurance policies on certain key executives. Life insurance is recorded at the amounts that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. The Company also maintains split dollar life insurance agreements with certain employees, whereby the employees' designated beneficiaries will receive a portion of life insurance benefits upon the employees' death while employed by the Company. As the benefits do not extend beyond employment, a liability has not been recorded by the Company.

Federal Home Loan Bank (FHLB) stock – The Company is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is included in accrued interest receivable and other assets on the balance sheet and is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Derivatives – The Company has entered into interest rate swap agreements to mitigate the interest rate risk created by interest rate floors and caps embedded in certain variable rate loans. The terms of interest rate swap agreements are matched to those of the individual loans with floors and caps being hedged. The interest rate swaps are adjusted to fair value on a recurring basis with an offsetting change in fair value of the derivative created by the floors and caps. Net cash settlements related to the interest rate swaps are reported in interest income. Cash flows on derivatives are classified in the cash flow statement similar to the cash flows of the underlying loans.

Income taxes – The Company files consolidated income tax returns. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amount of assets and liabilities and their tax basis. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A valuation allowance is recognized if, based on the weight of available evidence, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company uses a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Interest and penalties associated with unrecognized tax benefits are classified as income tax expense in the consolidated statements of income.

Earnings per share – Basic earnings per share (EPS), which excludes dilution, is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as stock options, result in the issuance of common stock, which shares in the earnings of the Company. The treasury stock method is applied to determine the dilutive effect of stock options in computing diluted earnings per share.

Stock compensation – Compensation cost is recognized for stock options and restricted stock issued to employees and directors based on their grant date fair value. A Black-Scholes model is utilized to estimate the grant date fair value of stock options. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award, which is generally five years.

Comprehensive income (loss) – Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, net of tax, which are also recognized as separate components of equity.

Loss contingencies – Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the Company's financial position or results of operations.

Retirement plans – Employee 401(k) expense is the amount of matching contributions provided by the Company.

Fair value measurements – Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company uses the following methods and significant assumptions to estimate fair value:

Cash and cash equivalents – The carrying amounts of cash and short-term instruments approximate fair values, resulting in a Level 1 classification.

Time deposits in banks – Fair values for time deposits in banks are estimated using a discounted cash flows calculation that applies interest rates currently being offered on instruments with similar remaining maturities, resulting in a Level 2 classification.

Debt securities – Fair values for debt securities are calculated based on market prices of similar securities, using matrix pricing, resulting in a Level 2 classification. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded and values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

Loans – The fair value disclosed for loans is determined using the exit price notion. The Company uses a net present value of cash flows methodology that seeks to incorporate interest rate, credit, liquidity, and prepayment risks in the fair value estimation. Inputs to the calculation include market rates for similarly offered products, market interest rate projections, estimated credit losses, and prepayment assumptions, resulting in a Level 3 classification.

FHLB stock – Management determined that it is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Deposits – The fair values disclosed for demand deposits, including interest and noninterest bearing checking, savings, and money market accounts are, by definition, equal to the amount payable on demand at the reporting date, resulting in a Level 1 classification. Fair values for fixed rate time deposits are estimated using a discounted cash flows calculation that applies interest rates currently being offered on instruments with similar remaining maturities, resulting in a Level 2 classification.

Accrued interest receivable and payable – The carrying amounts of accrued interest approximate fair value, resulting in a Level 2 classification.

Derivatives – The fair values of derivatives are based on valuation models using observable market data as of the measurement date, resulting in a Level 2 classification.

Subsequent events – Management reviewed all events occurring from December 31, 2023 through March 19, 2024, the date the financial statements were available to be issued.

Note 2. Debt Securities Available-for-Sale

The amortized cost, estimated fair value and allowance for credit losses related to debt securities available-for-sale as of December 31, 2023 and 2022 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Estimated Fair Value
December 31, 2023:					
Available-for-sale					
U.S Government-sponsored entities and agencies	$ 24,320,295	$ -	$ (381,170)	$ -	$ 23,939,125
Obligations of states and political subdivisions	79,439,574	19,822	(9,959,447)	-	69,499,949
U.S. Government sponsored agencies collateralized by mortgage obligations	79,103,342	43,122	(6,414,386)	-	72,732,078
U.S. Government sponsored agencies mortgage-backed securities	11,078,900	12,139	(531,859)	-	10,559,180
Corporate debt securities	13,933,396	38,829	(457,961)	-	13,514,264
Student loan backed securities	29,276,278	19,039	(502,844)	-	28,792,473
Total	$ 237,151,785	$ 132,951	$ (18,247,667)	$ -	$ 219,037,069
December 31, 2022:					
Available-for-sale					
U.S Government-sponsored entities and agencies	$ 48,043,339	$ 465	$ (819,099)	$ -	$ 47,224,705
Obligations of states and political subdivisions	98,713,248	57,124	(13,695,411)	-	85,074,961
U.S. Government sponsored agencies collateralized by mortgage obligations	72,486,464	-	(6,725,609)	-	65,760,855
U.S. Government sponsored agencies mortgage-backed securities	8,753,890	12,976	(651,013)	-	8,115,853
Corporate debt securities	17,933,825	25,629	(838,966)	-	17,120,488
Student loan backed securities	30,949,512	-	(1,058,297)	-	29,891,215
Total	$ 276,880,278	$ 96,194	$ (23,788,395)	$ -	$ 253,188,077

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	2023
Proceeds	$ 38,860,514
Gross Gains	$ 151,526
Gross Losses	$ (159,773)

The following table summarizes securities with unrealized losses as of December 31, 2023 and 2022, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2023:						
Available-for-sale						
U.S Government-sponsored entities and agencies	$ 1,995,420	$ (4,580)	$ 21,943,705	$ (376,590)	$ 23,939,125	$ (381,170)
Obligations of states and political subdivisions	-	-	67,787,200	(9,959,447)	67,787,200	(9,959,447)
U.S. Government sponsored agencies collateralized by mortgage obligations	5,303,627	(245,669)	64,255,272	(6,168,717)	69,558,899	(6,414,386)
U.S. Government sponsored agencies mortgage-backed securities	1,956,240	(14,634)	6,328,810	(517,225)	8,285,050	(531,859)
Corporate debt securities	-	-	7,598,293	(457,961)	7,598,293	(457,961)
Student loan backed securities	1,783,513	(9,895)	24,138,064	(492,949)	25,921,577	(502,844)
Total	$ 11,038,800	$ (274,778)	$192,051,344	$ (17,972,889)	$ 203,090,144	$ (18,247,667)

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2022:						
Available-for-sale						
U.S Government-sponsored entities and agencies	$ 44,985,455	$ (819,099)	$ -	$ -	$ 44,985,455	$ (819,099)
Obligations of states and political subdivisions	46,022,707	(4,659,291)	34,113,317	(9,036,120)	80,136,024	(13,695,411)
U.S. Government sponsored agencies collateralized by mortgage obligations	52,429,821	(4,946,845)	13,331,034	(1,778,764)	65,760,855	(6,725,609)
U.S. Government sponsored agencies mortgage-backed securities	6,900,289	(651,013)	-	-	6,900,289	(651,013)
Corporate debt securities	4,168,020	(375,896)	5,960,608	(463,070)	10,128,628	(838,966)
Student loan backed securities	22,640,300	(657,154)	7,250,915	(401,143)	29,891,215	(1,058,297)
Total	$ 177,146,592	$ (12,109,298)	$ 60,655,874	$ (11,679,097)	$ 237,802,466	$ (23,788,395)

As of December 31, 2023, the Company's security portfolio consisted of 202 securities that were in an unrealized loss position, 194 of which had been in a loss position for greater than 12 months. Unrealized losses for all securities, in a loss position greater than 12 months, have not been recognized into income because the issuers' bonds are of high credit quality (investment grade or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in market rates and other market conditions. The fair value is expected to recover as the bonds approach maturity. Therefore, the Company determined an allowance for credit losses was not warranted as of December 31, 2023.

The amortized cost and estimated fair value of available-for-sale debt securities as of December 31, 2023 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Within one year	$ 19,754,335	$ 19,519,286
After one year through five years	39,530,311	37,539,876
After five years through ten years	41,398,400	35,026,928
After ten years	17,010,219	14,867,248
	117,693,265	106,953,338
Investment securities not due at a single maturity date:		
U.S. Government sponsored agencies collateralized by mortgage obligations and mortgage-backed securities	90,182,242	83,291,258
Student loan backed securities	29,276,278	28,792,473
Total	$ 237,151,785	$ 219,037,069

Note 3. Loans and the Allowance for Credit Losses

We adopted the new CECL accounting guidance as of January 1, 2023, and all related amendments financial statement amendments are reflected as of and for the year ended December 31, 2023. Certain prior period credit quality disclosures related to impaired loans and individually and collectively evaluated loans were superseded with the current guidance. Accordingly, this information was presented as of December 31, 2022, only. Also refer to Note 1, Summary of Significant Account Policies for additional information regarding the adoption of CECL.

The following table presents the amortized costs of loans by class as of December 31, 2023 and 2022.

	2023	2022
Loans:		
Real estate:		
Construction and development	$ 23,759,565	$ 6,317,831
Agriculture	9,770,835	11,478,620
1-4 family residential	11,601,553	13,560,563
Multifamily	27,994,885	25,292,738
Commercial	196,643,300	180,753,058
Agriculture production	2,715,334	1,617,660
Commercial and industrial	22,747,569	18,996,290
Consumer	73,934	62,770
Total loans, gross	295,306,975	258,079,530
Deferred loan fees, net	(598,590)	(676,393)
Allowance for credit losses on loans	(4,260,090)	(3,512,755)
Total loans, net	$ 290,448,295	$ 253,890,382

The provision for credit losses on the consolidated income statements as of December 31, includes the following:

	2023	2022
Provision for loan losses	$ 414,200	$ -
Provision for off balance sheet commitments	100,000	-
Provision for credit losses	$ 514,200	$ -

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

	Real Estate								
	Construct. & Develop	Agriculture	1-4 Family Resident	Multifamily	Commercial	Agriculture Production	Commercial & Indust.	Consumer	Total
December 31, 2023:									
Allowance for Credit Losses:									
Balance, beginning of year	$ 157,911	$ 125,310	$ 113,085	$ 156,892	$ 2,405,341	$ 9,169	$ 545,047	$ -	$ 3,512,755
Impact of adopting ASC 326	43,262	17,358	73,718	928,004	(643,026)	(4,037)	(83,171)	1,027	333,135
Provision for loan losses	505,510	(33,717)	(73,854)	(54,358)	(14,099)	12,860	71,885	(27)	414,200
Loans charged off	-	-	-	-	-	-	-	-	-
Loans recovered	-	-	-	-	-	-	-	-	-
Total	$ 706,683	$ 108,951	$ 112,949	$ 1,030,538	$ 1,748,216	$ 17,992	$ 533,761	$ 1,000	$ 4,260,090
December 31, 2022:									
Allowance for Loan Losses:									
Balance, beginning of year	$ 186,093	$ 127,063	$ 97,048	$ 173,086	$ 2,313,156	$ 18,009	$ 598,299	$ 1	$ 3,512,755
Provision for loan losses	(28,182)	(1,753)	16,037	(16,194)	92,185	(8,840)	(53,252)	(1)	-
Loans charged off	-	-	-	-	-	-	-	-	-
Loans recovered	-	-	-	-	-	-	-	-	-
Total	$ 157,911	$ 125,310	$ 113,085	$ 156,892	$ 2,405,341	$ 9,169	$ 545,047	$ -	$ 3,512,755

As of December 31, 2023, the Company expects that the markets in which it operates will experience a decline in economic conditions, increased borrowing costs, elevated inflation and an increase in the unemployment rate, over the next one-year period. Management adjusted the historic loss experience considering these expectations.

The amortized cost of loans excludes accrued interest receivable and deferred loan fees, net due to their immaterial balances.

The allowance for loan losses and recorded investment in loans evaluated for impairment were as follows:

	Real Estate								
	Construct. & Develop	**Agriculture**	**1-4 Family Resident**	**Multifamily**	**Commercial**	**Agriculture Production**	**Commercial & Indust.**	**Consumer**	**Total**
December 31, 2022:									
Loans:									
Individually evaluated for impairment	$ -	$ 896,274	$ -	$ -	$ -	$ -	$ -	$ -	$ 896,274
Collectively evaluated for impairment	6,317,831	10,582,346	13,560,563	25,292,738	180,753,058	1,617,660	18,996,290	62,770	257,183,256
Total	$ 6,317,831	$11,478,620	$13,560,563	$25,292,738	$180,753,058	$ 1,617,660	$18,996,290	$ 62,770	$258,079,530
Allowance for Loan Losses:									
Related to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Related to loans collectively evaluated for impairment	157,911	125,310	113,085	156,892	2,405,341	9,169	545,047	-	3,512,755
Total	$ 157,911	$ 125,310	$ 113,085	$ 156,892	$ 2,405,341	$ 9,169	$ 545,047	$ -	$ 3,512,755

The following table presents the loan portfolio by loan class, origination year and internal risk rating as of December 31, 2023. Generally, existing term loans that were re-underwritten are reflected in the table in the year of renewal. Lines of credit that have a conversion feature at the time of origination, such as construction to perm loans, are presented by year of origination.

	Term Loans - Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Total
December 31, 2023:								
Construction:								
Pass	$14,853,236	$ 6,929,223	$ 393,204	$ -	$ -	$ -	$ 1,583,902	$ 23,759,565
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$14,853,236	$ 6,929,223	$ 393,204	$ -	$ -	$ -	$ 1,583,902	$ 23,759,565
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Real Estate - Agriculture:								
Pass	$ -	$ 6,185,503	$ 134,767	$ 542,052	$ 155,118	$ 2,534,304	$ -	$ 9,551,744
Special Mention	-	-	-	-	-	219,091	-	219,091
Substandard	-	-	-	-	-	-	-	-
Total	$ -	$ 6,185,503	$ 134,767	$ 542,052	$ 155,118	$ 2,753,395	$ -	$ 9,770,835
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential Real Estate								
Pass	$ 284,711	$ 397,128	$ -	$ 1,955,976	$ 1,142,330	$ 3,149,134	$ 4,643,977	$ 11,573,256
Special Mention	-	-	-	-	-	-	28,297	28,297
Substandard	-	-	-	-	-	-	-	-
Total	$ 284,711	$ 397,128	$ -	$ 1,955,976	$ 1,142,330	$ 3,149,134	$ 4,672,274	$ 11,601,553
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Multfamily Real Estate								
Pass	$ 4,391,432	$ 3,418,006	$ 7,350,890	$ 6,010,858	$ 2,368,404	$ 4,455,295	$ -	$ 27,994,885
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 4,391,432	$ 3,418,006	$ 7,350,890	$ 6,010,858	$ 2,368,404	$ 4,455,295	$ -	$ 27,994,885
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate								
Pass	$28,614,438	$39,381,572	$44,430,310	$15,672,076	$ 23,446,371	$39,743,561	$ 1,983,120	$ 193,271,448
Special Mention	-	-	-	-	-	3,371,852	-	3,371,852
Substandard	-	-	-	-	-	-	-	-
Total	$28,614,438	$39,381,572	$44,430,310	$15,672,076	$ 23,446,371	$43,115,413	$ 1,983,120	$ 196,643,300
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans - Amortized Cost by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost	Total
December 31, 2023:								
Agriculture production								
Pass	$ 202,807	$ 1,221,943	$ -	$ -	$ -	$ 1,290,584	$ -	$ 2,715,334
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 202,807	$ 1,221,943	$ -	$ -	$ -	$ 1,290,584	$ -	$ 2,715,334
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial								
Pass	$ 6,673,066	$ 3,033,917	$ 1,523,003	$ 2,338,571	$ 675,183	$ 2,158,140	$ 6,345,689	$ 22,747,569
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 6,673,066	$ 3,033,917	$ 1,523,003	$ 2,338,571	$ 675,183	$ 2,158,140	$ 6,345,689	$ 22,747,569
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Installment and other consumer								
Pass	$ 24,517	$ -	$ -	$ -	$ -	$ -	$ 49,417	$ 73,934
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Total	$ 24,517	$ -	$ -	$ -	$ -	$ -	$ 49,417	$ 73,934
Gross Charge Offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Loans:								
Total Pass	$55,044,207	$60,567,292	$53,832,174	$26,519,533	$ 27,787,406	$53,331,018	$ 14,606,105	$ 291,687,735
Total Special Mention	-	-	-	-	-	3,590,943	28,297	3,619,240
Total Substandard	-	-	-	-	-	-	-	-
Total	$55,044,207	$60,567,292	$53,832,174	$26,519,533	$ 27,787,406	$56,921,961	$ 14,634,402	$ 295,306,975
Total gross charge offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table summarizes the amortized cost of loans by internally assigned risk grades and loan class at December 31, 2022:

	Real Estate								
	Construct. & Develop	Agriculture	1-4 Family Resident	Multifamily	Commercial	Agriculture Production	Commercial & Indust.	Consumer	Total
December 31, 2022:									
Pass	$ 6,317,831	$10,582,346	$13,560,563	$25,292,738	$180,753,058	$ 1,617,660	$ 18,996,290	$ 62,770	$257,183,256
Substandard	-	896,274	-	-	-	-	-	-	896,274
Total	$ 6,317,831	$11,478,620	$13,560,563	$25,292,738	$180,753,058	$ 1,617,660	$ 18,996,290	$ 62,770	$258,079,530

The following table shows the amortized cost of loans by class, payment aging and non-accrual status as of December 31, 2023 and 2022:

	Real Estate								
	Construct. & Develop	Agriculture	1-4 Family Resident	Multifamily	Commercial	Agriculture Production	Commercial & Indust.	Consumer	Total
December 31, 2023:									
Accruing interest:									
Current	$23,759,565	$ 9,770,835	$11,601,553	$27,994,885	$196,643,300	$ 2,715,334	$ 22,747,569	$ 73,934	$295,306,975
30 to 59 days past due	-	-	-	-	-	-	-	-	-
Not accruing interest	-	-	-	-	-	-	-	-	-
Total	$23,759,565	$ 9,770,835	$11,601,553	$27,994,885	$196,643,300	$ 2,715,334	$ 22,747,569	$ 73,934	$295,306,975

	Real Estate								
	Construct. & Develop	Agriculture	1-4 Family Resident	Multifamily	Commercial	Agriculture Production	Commercial & Indust.	Consumer	Total
December 31, 2022:									
Accruing interest:									
Current	$ 6,317,831	$10,582,346	$13,530,693	$25,292,738	$180,753,058	$ 1,617,660	$ 18,996,290	$ 62,770	$257,153,386
30 to 59 days past due	-	896,274	29,870	-	-	-	-	-	926,144
Not accruing interest	-	-	-	-	-	-	-	-	-
Total	$ 6,317,831	$11,478,620	$13,560,563	$25,292,738	$180,753,058	$ 1,617,660	$ 18,996,290	$ 62,770	$258,079,530

As of December 31, 2023, there were no collateral-dependent loans. During and as of the year ended December 31, 2023, there were no loan modifications made to borrowers experiencing financial difficulty.

The following table presents balances related to impaired loans by class as of and for the year ended December 31, 2022:

	Real Estate			
	Construct. & Develop	Agriculture	Commercial	Total
December 31, 2022:				
Unpaid principal balance	$ -	$ 896,274	$ -	$ 896,274
Recorded investment:				
Without allowance	-	896,274	-	896,274
Related allowance	-	-	-	-
Average recorded investment	47,025	1,086,786	-	1,133,811
Interest income recognized	-	-	-	-

No specific reserves were allocated to customers whose loan terms have been modified in trouble debt restructurings ("TDR") as of December 31, 2022. The Company has not committed to lend additional amounts as of December 31, 2022, to customers with outstanding loans that are classified as TDRs. During the year ended December 31, 2022, there were no defaults on loans previously classified as TDRs. To determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's underwriting policy. During the years ended December 31, 2023 and December 31, 2022, there were no loan payment deferrals granted.

Salaries and employee benefits totaling $337,453 and $178,543 have been deferred as direct loan origination costs for the years ended December 31, 2023 and 2022, respectively.

Note 4. Premises and Equipment

Premises and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Land	$ 1,723,198	$ 1,723,198
Buildings and improvements	5,449,918	5,449,918
Furniture, fixtures, and equipment	1,523,876	1,429,169
Leasehold improvements	42,722	42,722
In process	-	-
	8,739,714	8,645,007
Accumulated depreciation	(2,470,526)	(2,184,682)
Total	$ 6,269,188	$ 6,460,325

Depreciation included in occupancy and equipment expense totaled $286,193 and $322,333 for the years ended December 31, 2023 and 2022, respectively.

Note 5. Leases

The Company enters into leases for office space in the normal course of business. The Company's leases have remaining terms ranging from 1 to 4 years, two of which include renewal options to extend the leases for up to an additional 5-year period thereafter.

As of December 31, 2023, the Company has no finance leases and three operating leases for office locations. As of December 31, 2023 and 2022, the right of use asset included in "accrued interest receivable and other assets" totaled $1,245,505 and $891,750, respectively, and the lease liability included in "accrued interest payable and other liabilities" totaled $1,339,511 and $951,952, respectively. During the years ended December 31, 2023 and 2022, the Company recognized operating, short-term, and other variable lease costs totaling $228,772 and $151,638, respectively.

For the years ended December 31, 2023 and 2022, the weighted average remaining lease term, in years, is 8.58, and 9.98, respectively; and the weighted average discount rate was 3.45%, and 3.07%, respectively.

Future undiscounted lease payments are as follows for the years ending December 31:

2024	$ 182,360
2025	162,882
2026	167,769
2027	172,802
2028	177,986
Thereafter	753,405
Total undiscounted lease payments	1,617,204
Less imputed interest	277,693
Net lease liability	$ 1,339,511

Note 6. Time Deposits

Aggregate annual maturities of time deposits are as follows for the year ending December 31, 2023:

2024	$ 38,753,520
2025	520,358
2026	2,526,738
2027	42,513
2028	9,350
Total	$ 41,852,479

Note 7. Borrowing Facilities

The Company has unsecured Federal funds lines of credit with correspondent banks under which it can borrow up to $40,000,000 as of December 31, 2023. There were no borrowings outstanding under these arrangements as of December 31, 2023 and 2022.

In addition, the Company has an arrangement with the FHLB under which it may borrow up to 35% of total assets, which must be fully secured by qualifying assets. As of December 31, 2023 and 2022, the estimated fair value of investment securities pledged was approximately $78,876,000 and $71,404,000, respectively, and the recorded investment in loans pledged was approximately $234,527,000 and $218,682,000, respectively. As of December 31, 2023 and 2022, no borrowings were outstanding.

Additionally, the Company utilized the FHLB borrowing arrangement to obtain letters of credit totaling $37,000,000 and $28,000,000 as of December 31, 2023 and 2022, respectively, which are used to secure certain public fund deposit accounts. The outstanding letters of credit reduce the amount available to be borrowed. As of December 31, 2023 and 2022, the available borrowing capacity under this arrangement was approximately $155,919,000 and $150,781,000, respectively.

Note 8. Income Taxes

Income taxes for the years ended December 31, 2023 and 2022 consist of the following:

	2023	2022
Current	$ 2,341,381	$ 2,466,756
Deferred	(175,357)	83,154
Income tax expense	$ 2,166,024	$ 2,549,910

Deferred tax assets and liabilities as of December 31, 2023 and 2022, are reflected in "accrued interest receivable and other assets", and "accrued interest payable and other liabilities" on the consolidated balance sheets, respectively, and consist of the following:

	2023	2022
Deferred tax assets:		
Unrealized loss on debt securities available for sale	$ 5,354,711	$ 7,003,415
Allowance for credit losses	1,237,169	1,012,576
Lease liability	393,635	281,432
Accrued expenses	266,946	214,104
Future benefit of state tax deduction	186,980	205,740
Other	290,203	122,238
Total	7,729,644	8,839,505
Deferred tax liabilities:		
Lease right of use asset	(366,011)	(263,636)
Premises and equipment	(276,149)	(311,642)
Deferred loan origination costs, net	(160,727)	(108,140)
Other	(64,267)	(36,965)
Total	(867,154)	(720,383)
Deferred tax asset, net	$ 6,862,490	$ 8,119,122

The provision for income taxes differs from amounts computed by applying the statutory federal income tax rate to operating income before income taxes. The significant items comprising these differences consist of the following for the years ended December 31, 2023 and 2022:

	2023		2022	
	Amount	**Rate**	**Amount**	**Rate**
Federal income tax at statutory rates	$ 1,695,903	21.0%	$ 1,975,418	21.0%
State franchise tax, net of Federal benefit	683,379	8.5%	803,351	8.5%
Tax exempt investment securities, net	(69,345)	-0.9%	(183,000)	-1.9%
Other	(143,913)	-1.8%	(45,859)	-0.5%
Total	$ 2,166,024	26.8%	$ 2,549,910	27.1%

Federal and California state franchise tax returns submitted for the year ended December 31, 2020 and 2019, respectively, and after that time are currently open for examination. The Company currently has no tax returns under examination.

Note 9. Commitments and Contingencies

Financial instruments with off-balance sheet risk – The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of the following as of December 31, 2023 and 2022:

	2023	2022
Commitments to extend credit	$ 58,474,902	$ 50,361,067
Standby letters of credit	2,410,000	1,371,000

The Company's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans included on the balance sheet.

Commitments to extend credit are agreements to lend to a customer if there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, and deeds of trust on residential real estate and income-producing commercial properties.

Real estate loan commitments represent approximately 41% of total commitments and are generally secured by property with a loan-to-value ratio not to exceed 75%. Agricultural production loan commitments represent approximately 14% of total commitments and are generally secured by crop assignments, accounts receivable, and farm equipment and have variable interest rates. Commercial and industrial loan commitments represent approximately 45% of total commitments and are generally unsecured or secured by collateral other than real estate and have variable interest rates.

Concentrations of credit risk – The Company grants real estate loans to customers primarily in the California counties of Sutter, Yuba, Nevada, and Placer, as well as in Reno, Nevada and surrounding communities. In management's judgment, a concentration of loans exists in real estate secured loans with approximately 91% of the Company's loans being real estate related. Although management believes the loans within this concentration have no more than the normal risk of collectability, a substantial decline in the performance of the economy in general or a decline in real estate values in the Company's primary market areas could have an adverse impact on the collectability of these loans. Cash flows from commercial real estate properties and personal income represent the primary source of repayment for most of these loans.

Deposit concentration – The Company’s five largest deposit relationships represent 15% of the total outstanding deposits of the Company as of December 31, 2023. The loss of these deposit relationships could have a material impact on the Company's operations and liquidity. However, some of these large depositors have other business relationships with us, and/or are related parties which we believe mitigates the risk of a material decline in these deposits. Further, management mitigates this risk by maintaining sufficient on and off-balance sheet liquidity to manage fluctuations in account balances.

Correspondent banking arrangements – The Company maintains funds on deposit with other federally insured financial institutions under correspondent banking agreements. As of December 31, 2023, uninsured deposits at correspondent banks totaled approximately $10,490,911. Management performs an assessment of the financial strength of its correspondent banks annually or more frequently as deemed necessary.

Note 10. Stock Compensation

The Company has one stock compensation plan, the River Valley Community Bank 2016 Equity Incentive Plan (the "Plan"), which was approved by the Company's shareholders. A total of 219,062 shares of common stock are reserved for grants of awards to employees, directors, and consultants under incentive and non-statutory stock option agreements and restricted stock agreements. The Plan was adopted by the Bancorp as part of the Merger, and new equity awards and common shares are issued by the Bancorp.

The amount, frequency, and terms of share-based awards may vary based on competitive practices, the Company's operating results, and government regulations. Generally, stock awards vest over a five-year term, and stock options expire ten years after the date of grant. New shares are issued upon stock option exercise or restricted stock vesting. The Plan requires that the option price may not be less than the fair market value of the stock at the date the option is granted and that the stock must be paid in full at the time the option is exercised.

Restricted stock awards are grants of shares of common stock that are subject to forfeiture until specific conditions or goals are met. Conditions may be based on continuing employment or achieving specified performance goals. During the period of restriction, participants holding restricted stock do not have voting or dividend rights. The restrictions lapse in accordance with a schedule or with other conditions determined by the Board of Directors. Generally, restricted stock awards vest on a straight-line basis over a five-year term. A summary of unvested and outstanding restricted stock award activity for the year ended December 31, 2023 is presented below:

	Shares	Weighted Avg. Stock Price at Grant
Outstanding, beginning of year	24,271	$ 20.34
New grants	18,680	22.26
Vesting	(11,560)	20.83
Forfeitures	(1,211)	21.46
Outstanding, end of year	30,180	$ 21.30

A summary of stock option activity for the year ended December 31, 2023 is presented below:

	Shares	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contract Term (Years)
Outstanding, beginning of year	148,575	$ 12.52	
New grants	-	-	
Exercises	(7,875)	10.76	
Forfeitures	(6,500)	14.71	
Expired	-	-	
Outstanding, end of year	134,200	$ 12.51	3.67
Exercisable, end of year	129,550	$ 12.37	3.57

There were no stock options granted during the years ended December 31, 2023 and 2022. Total compensation cost recognized for all stock awards for the years ended December 31, 2023, and 2022 was $330,596 and 307,345, respectively.

Information related to the exercise of stock options during the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Intrinsic value of options exercised	$ 96,359	$ 557,283
Cash received from option exercises	-	378,508

As of December 31, 2023, the unrecognized compensation cost related to non-vested stock awards totaled $587,133, which is expected to be amortized on a straight-line basis over a weighted average period of 2.3 years and will be adjusted for subsequent changes in forfeitures.

A portion of directors fees consists of restricted stock awards that vest immediately. The cost of such awards is included in “Directors’ expense” on the Company’s Consolidated Statements of Income.

Note 11. Shareholders’ Equity

Earnings per share – A reconciliation of the components of the basic and diluted earnings per share computations for the years ended December 31, 2023 and 2022 is as follows:

	Net Income Available to Common Shareholders	Weighted Average Shares Outstanding	Earnings per Common Share
December 31, 2023:			
Basic	$ 5,909,702	3,095,264	$ 1.91
Dilution effect	-	91,486	(0.06)
Diluted	$ 5,909,702	3,186,750	$ 1.85
December 31, 2022:			
Basic	$ 6,858,036	3,060,133	$ 2.24
Dilution effect	-	92,316	(0.06)
Diluted	$ 6,858,036	3,152,449	$ 2.18

Shares of common stock issuable under stock options that have an exercise price greater than average market prices are not included in the computation of diluted earnings per share due to their antidilutive effect. For the years ended December 31, 2023 and 2022, there were no antidilutive stock options.

Dividends – Upon declaration by the Board of Directors, all shareholders of record will be entitled to receive dividends. The California Financial Code restricts the total dividend payment of any state banking association in any calendar year to the lesser of (1) the bank's retained earnings or (2) the bank's net income for its last three fiscal years, less distributions made to shareholders during the same three-year period. As of December 31, 2023, retained earnings of $18,830,604 were free of such restrictions.

Regulatory capital – The Bank is subject to regulatory capital requirements administered by the FDIC. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet minimum capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2020. Under Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios of 2.500%. The net unrealized gain or loss on debt securities available-for-sale is not included in computing regulatory capital. Management believes that as of December 31, 2023, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2023, the most recent regulatory notification categorized the Bank as well capitalized. No conditions or events have occurred since that notification that management believes has changed the Bank's category.

Actual and required capital amounts and ratios for the Bank as of December 31, 2023 and 2022 are as follows:

	2023		2022	
	Amount	**Ratio**	**Amount**	**Ratio**
Tier 1 capital to average assets:				
The Bank	$ 57,841,000	9.7%	$ 52,206,000	8.2%
Minimum to be "Well-Capitalized"	29,765,350	5.0%	31,683,900	5.0%
Minimum regulatory requirement	23,812,280	4.0%	25,347,120	4.0%
Tier 1 common to risk weighted assets:				
The Bank	$ 57,841,000	14.3%	$ 52,206,000	14.0%
Minimum to be "Well-Capitalized"	26,236,015	6.5%	24,181,690	6.5%
Minimum regulatory requirement	18,163,395	4.5%	16,741,170	4.5%
Tier 1 capital to risk weighted assets:				
The Bank	$ 57,841,000	14.3%	$ 52,206,000	14.0%
Minimum to be "Well-Capitalized"	32,290,480	8.0%	29,762,080	8.0%
Minimum regulatory requirement	24,217,860	6.0%	22,321,560	6.0%
Total capital to risk weighted assets:				
The Bank	$ 62,791,000	15.6%	$ 55,909,000	15.0%
Minimum to be "Well-Capitalized"	40,363,100	10.0%	37,202,600	10.0%
Minimum regulatory requirement	32,290,480	8.0%	29,762,080	8.0%
Capital conservation buffer:				
The Bank		7.6%		7.0%

Note 12. Derivatives

As of December 31, 2023 and 2022, the Company has derivatives that do not qualify for hedge accounting, and therefore changes in fair value are reported in earnings. The derivatives consist of interest rate floors and caps placed on variable rate loans to make them perform similar to fixed rate loans. For each of these loans, the Company entered into a corresponding interest rate swap agreement with a third party, with notional amounts and other terms consistent with the related loan. The amount exchanged under the interest rate swap agreements is determined by reference to the notional amount and other terms. Summary information about the Company's derivatives as of December 31, 2023 and 2022 is as follows:

	2023	2022
Total loans with floors and caps	$ 1,922,571	$ 2,395,304
Total notional amounts of interest rate swaps	1,922,571	2,395,304
Total fair value of floors and caps	104,699	129,747
Total fair value of interest rate swaps	(104,699)	(129,747)
Weighted average maturity	8.8 years	8.3 years

The fair value of interest rate floors and caps, net is reflected in accrued interest payable and other liabilities with changes in fair value recorded in noninterest income. The fair value of interest rate swaps, net is reflected in accrued interest receivable and other assets with changes in fair value recorded in noninterest income. Changes in the fair value of interest rate floors and caps are offset by contrasting changes in the fair value of interest rate swaps, resulting in little to no impact on noninterest income. As of December 31, 2023 and 2022, the Company had $280,000 in cash pledged to secure the interest rate swap agreements.

Note 13. Related Party Transactions

During the normal course of business, the Company enters into transactions with related parties, including directors and executive officers. The following is a summary of the aggregate activity involving related party borrowers for the years ended December 31, 2023 and 2022:

	2023	2022
Related party loans, beginning of year	$ 15,659,573	$ 17,611,556
Advances	6,536,326	9,918,216
Payments	(7,249,740)	(11,870,199)
Related party loans, end of year	$ 14,946,159	$ 15,659,573
Undisbursed commitments to related parties, end of year	$ 4,917,659	$ 4,224,106

Related party deposits totaled approximately $22,826,000 and $29,438,000 as of December 31, 2023 and 2022, respectively.

Note 14. Employee Benefit Plan

The Company has a 401(k) profit sharing plan. All employees 18 years of age or older with 30 days of service are eligible to participate in the plan. Eligible employees may elect to make tax deferred contributions up to the maximum amount allowed by law. Safe harbor contributions of $162,721 and $140,408 were made by the Company during the years ended December 31, 2023 and 2022, respectively.

Note 15. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022 and the level input used to determine the estimated fair value are summarized below:

	Level 1	Level 2	Level 3	Total
December 31, 2023:				
Debt securities available-for-sale:				
U.S Government-sponsored entities and agencies	$ -	$ 23,939,125	$ -	$ 23,939,125
Obligations of states and political subdivisions	-	69,499,949	-	69,499,949
U.S. Government sponsored agencies collateralized by mortgage obligations	-	72,732,078	-	72,732,078
U.S. Government sponsored agencies mortgage-backed securities	-	10,559,180	-	10,559,180
Corporate debt securities	-	13,514,264	-	13,514,264
Student loan backed securities	-	28,792,473	-	28,792,473
Total investment securities	$ -	$ 219,037,069	$ -	$ 219,037,069
Derivative assets, net	$ -	$ 104,699	$ -	$ 104,699
Derivative liabilities, net	$ -	$ (104,699)	$ -	$ (104,699)
December 31, 2022:				
Debt securities available-for-sale:				
U.S Government-sponsored entities and agencies	$ -	$ 47,224,705	$ -	$ 47,224,705
Obligations of states and political subdivisions	-	85,074,961	-	85,074,961
U.S. Government sponsored agencies collateralized by mortgage obligations	-	65,760,855	-	65,760,855
U.S. Government sponsored agencies mortgage-backed securities	-	8,115,853	-	8,115,853
Corporate debt securities	-	17,120,488	-	17,120,488
Student loan backed securities	-	29,891,215	-	29,891,215
Total investment securities	$ -	$ 253,188,077	$ -	$ 253,188,077
Derivative assets, net	$ -	$ 129,747	$ -	$ 129,747
Derivative liabilities, net	$ -	$ (129,747)	$ -	$ (129,747)

There were no transfers between levels during the years ended December 31, 2023 and 2022.

The carrying amounts and estimated fair values of financial instruments not carried at fair value as of December 31, 2023 and 2022 are as follows:

	Carrying	Estimate Fair Value			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2023:					
Financial assets:					
Cash and due from banks	$11,930,613	$11,930,613	$ -	$ -	$ 11,930,613
Interest bearing deposits in banks	27,729,526	27,729,526	-	-	27,729,526
Time deposit in banks	747,000	-	750,771	-	750,771
Loans, net	290,448,295	-	-	283,761,775	283,761,775
Accrued interest receivable	2,190,991	-	2,190,991	-	2,190,991
Financial liabilities:					
Deposits	532,047,898	490,195,419	41,718,104	-	531,913,523
Accrued interest payable	154,414	-	154,414	-	154,414
December 31, 2022:					
Financial assets:					
Cash and due from banks	$ 6,755,238	$ 6,755,238	$ -	$ -	$ 6,755,238
Interest bearing deposits in banks	83,616,839	83,616,839	-	-	83,616,839
Time deposit in banks	1,987,000	-	2,008,333	-	2,008,333
Loans, net	253,890,382	-	-	253,213,216	253,213,216
Accrued interest receivable	2,273,524	-	2,273,524	-	2,273,524
Financial liabilities:					
Deposits	591,357,661	573,357,946	17,942,476	-	591,300,422
Accrued interest payable	24,943	-	24,943	-	24,943