MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
DUBLIN, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2022 AND 2021 AND
INDEPENDENT AUDITOR'S REPORT

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES

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Independent Auditor's Report

Board of Directors
Morris State Bancshares, Inc.
Dublin, Georgia 31021

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements of Morris State Bancshares, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years ended 2022, 2021, and 2020, 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 Morris State Bancshares, Inc. and its subsidiaries as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended 2022, 2021, and 2020 in accordance with accounting principles generally accepted in the United States of America.

We also have audited Morris State Bancshares, Inc. internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control – Integrated framers (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. In our opinion, Morris State Bancshares, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control – Integrated framers (2013), issued by the COSO*.

Basis for Opinions

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 and Internal Control Over Financial Reporting section of our report. We are required to be independent of Morris State Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting.

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 Morris State Bancshares, Inc.'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 Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- 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 Morris State Bancshares, 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 financial statement audit.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Nichols, Cauley + Associates, LLC

Dublin, Georgia
March 17, 2023

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

ASSETS

	2022	2021
Cash and Cash Equivalents		
Cash and Due from Banks	$ 39,272,386	$ 161,969,315
Federal Funds Sold	21,007,642	14,278,248
	60,280,028	176,247,563
Interest-Bearing Time Deposits in Other Banks	100,000	350,000
Securities Available for Sale, at Fair Value	-	244,979,034
Securities Held to Maturity, at Cost	259,677,508	11,123,253
Federal Home Loan Bank Stock, Restricted, at Cost	1,578,400	624,300
Equity Investment, at Cost	3,500,000	3,500,000
Loans Held for Sale	1,939,500	2,640,063
Loans, Net of Unearned Income	1,049,948,789	923,586,072
Allowance for Loan Losses	(13,629,255)	(12,008,416)
Loans, Net	1,038,259,034	914,217,719
Bank Premises and Equipment, Net	13,865,942	14,938,591
Right of Use Asset for Operating Lease, Net	1,529,545	1,239,826
Goodwill	9,361,704	9,361,704
Intangible Assets, Net	2,023,540	2,369,390
Other Real Estate and Foreclosed Assets	3,715,202	5,332,096
Accrued Interest Receivable	5,341,616	4,647,196
Cash Surrender Value of Life Insurance	14,333,544	13,977,951
Other Assets	12,243,325	6,609,215
	62,414,418	58,475,969
Total Assets	$ 1,425,809,388	$ 1,409,517,838

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

LIABILITIES AND SHAREHOLDERS' EQUITY

	2022	2021
Deposits		
Noninterest Bearing	**$ 329,828,789**	$ 337,522,785
Interest Bearing	**876,627,708**	886,681,661
Total Deposits	**1,206,456,497**	1,224,204,446
Other Borrowed Funds	**48,826,681**	28,752,079
Lease Liability for Operating Lease	**1,529,545**	1,239,826
Accrued Interest Payable	**148,977**	134,392
Accrued Expenses and Other Liabilities	**3,911,285**	6,928,153
Total Liabilities	**1,260,872,985**	1,261,258,896
Shareholders' Equity		
Common Stock, $1 Par Value, Authorized 10,000,000 Shares, 2,169,557 Issued and 2,112,644 Outstanding in 2022 and 2,159,148 Issued and 2,107,857 Outstanding in 2021	**2,169,557**	2,159,148
Paid-In Capital Surplus	**40,928,731**	40,349,139
Retained Earnings	**121,426,245**	104,039,835
Accumulated Other Comprehensive Income	**2,608,086**	3,404,364
Treasury Stock, at Cost 56,912 Shares in 2022 and 51,291 Shares in 2021	**(2,196,216)**	(1,693,544)
Total Shareholders' Equity	**164,936,403**	148,258,942
Total Liabilities and Shareholders' Equity	**$ 1,425,809,388**	$ 1,409,517,838

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

	2022	2021	2020
Interest and Dividend Income			
Loans, Including Fees	**$ 53,034,139**	$ 51,885,652	$ 50,465,808
Interest on Securities	**7,294,294**	5,895,358	4,015,456
Income on Federal Funds Sold	**186,056**	74,911	103,208
Income on Time Deposits Held in Other Banks	**5,881**	3,436	20,511
Other Interest and Dividend Income	**1,012,196**	304,083	325,826
Total Interest and Dividend Income	**61,532,566**	58,163,440	54,930,809
Interest Expense			
Deposits	**4,530,637**	2,338,787	5,037,791
Interest on Other Borrowed Money	**1,745,537**	1,563,855	1,094,608
Interest on Federal Funds Purchased	**3,221**	72	72
Total Interest Expense	**6,279,395**	3,902,714	6,132,471
Net Interest Income Before Provision for Loan Losses	**55,253,171**	54,260,726	48,798,338
Provision for Loan Losses	**(5,100,000)**	(2,000,000)	(3,635,000)
Net Interest Income After Provision for Loan Losses	**50,153,171**	52,260,726	45,163,338
Noninterest Income			
Service Charges on Deposit Accounts	**2,417,800**	1,983,697	1,951,402
Other Service Charges, Commissions and Fees	**1,439,536**	1,532,664	1,282,847
Gain on Sales of Loans	**-**	37,683	187,006
Increase in CSV of Life Insurance	**355,593**	357,508	372,060
Other Income	**379,926**	601,072	366,821
Total Noninterest Income	**4,592,855**	4,512,624	4,160,136
Noninterest Expenses			
Salaries	**14,351,568**	14,407,754	13,198,826
Employee Benefits	**4,674,727**	4,269,912	3,747,364
Net Occupancy Expense	**3,019,729**	2,751,349	2,528,292
Equipment Rental and Depreciation of Equipment	**94,992**	115,044	121,716
Impairment Recognized on Other Real Estate Held for Sale	**-**	188,500	-
Loss (Gain) on Sales and Calls of Securities	**326**	(299,870)	(46,323)
Loss (Gain) on Sales of Foreclosed Assets and Other Real Estate	**(608,935)**	(26,110)	74,095
Loss (Gain) on Sales of Premises and Equipment	**201,009**	-	(4,000)
Other Expenses	**10,893,040**	9,138,597	8,439,709
Total Noninterest Expenses	**32,626,456**	30,545,176	28,059,679
Income Before Income Taxes	**22,119,570**	26,228,174	21,263,795
Provision for Income Taxes	**(1,010,940)**	(2,263,886)	(3,855,806)
Net Income	**$ 21,108,630**	$ 23,964,288	$ 17,407,989
Earnings Per Common Share			
Basic	$ 9.98	$ 11.40	$ 8.31
Diluted	$ 9.98	$ 11.40	$ 8.31

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2022	2021	2020
Net Income	**$ 21,108,630**	$ 23,964,288	$ 17,407,989
Other Comprehensive Income (Loss)			
Unrealized Holding Gains (Losses) on Available for Sale Debt Securities	**(76,067)**	(3,468,546)	5,806,981
Reclassification Adjustment for Amortization of Unrealized Holding Losses From the Transfer of Securities From Available for Sale to Held to Maturity	**(932,206)**	-	-
Reclassification Adjustment for (Gains) Losses Realized in Income	**326**	(299,870)	(46,323)
Net Unrealized Gains (Losses)	**(1,007,947)**	(3,768,416)	5,760,658
Tax Effect	**211,669**	791,399	(1,209,761)
Total Other Comprehensive Income (Loss)	**(796,278)**	(2,977,017)	4,550,897
Total Comprehensive Income	**$ 20,312,352**	$ 20,987,271	$ 21,958,886

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Common Stock	Paid-In Capital Surplus	Retained Earning	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance - December 31, 2019	$ 2,144,766	$ 39,292,064	$ 69,537,950	$ 1,830,484	$ (1,379,632)	$ 111,425,632
Purchase of Treasury Stock	-	-	-	-	(285,565)	(285,565)
Net Income	-	-	17,407,989	-	-	17,407,989
Other Comprehensive Income	-	-	-	4,550,897	-	4,550,897
Cash Dividends	-	-	(3,679,869)	-	-	(3,679,869)
Balance - December 31, 2020	2,144,766	39,292,064	83,266,070	6,381,381	(1,665,197)	129,419,084
Issuance of Common Stock	14,382	1,057,075	-	-	-	1,071,457
Purchase of Treasury Stock	-	-	-	-	(28,347)	(28,347)
Net Income	-	-	23,964,288	-	-	23,964,288
Other Comprehensive Loss	-	-	-	(2,977,017)	-	(2,977,017)
Cash Dividends	-	-	(3,190,523)	-	-	(3,190,523)
Balance - December 31, 2021	2,159,148	40,349,139	104,039,835	3,404,364	(1,693,544)	148,258,942
Issuance of Common Stock	6,582	558,136	-	-	-	564,718
Issuance of Restricted Stock, Net	3,827	(95,230)	-	-	-	(91,403)
Stock Based Compensation Expense	-	116,686	-	-	-	116,686
Purchase of Treasury Stock	-	-	-	-	(502,672)	(502,672)
Net Income	-	-	21,108,630	-	-	21,108,630
Other Comprehensive Loss	-	-	-	(796,278)	-	(796,278)
Cash Dividends	-	-	(3,722,220)	-	-	(3,722,220)
Balance - December 31, 2022	**$ 2,169,557**	**$ 40,928,731**	**$121,426,245**	**$ 2,608,086**	**$ (2,196,216)**	**$ 164,936,403**

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2022	2021	2020
Cash Flows from Operating Activities			
Net Income	**$ 21,108,630**	$ 23,964,288	$ 17,407,989
Adjustments to Reconcile Net Income to			
Net Cash Provided (Used) by Operating Activities			
Provision for Loan Losses	**5,100,000**	2,000,000	3,635,000
Depreciation	**915,340**	946,891	924,175
Impairment Recognized on Other Real Estate Held for Sale	**-**	188,500	-
(Gain) Loss on Sales of Foreclosed Assets,			
Other Real Estate and Property, Net	**(407,926)**	(26,110)	70,095
Gain on Sales of Loans	**-**	(37,683)	(187,006)
Net Amortization on Securities	**1,015,422**	1,705,817	598,328
(Gain) Loss on Sales/Calls of Investment Securities	**326**	(299,870)	(46,323)
Deferred Tax	**(402,680)**	(1,051,467)	(88,067)
Increase in CSV Life Insurance	**(355,593)**	(357,508)	(372,060)
Amortization of Intangible Assets	**345,850**	347,987	349,764
Amortization of Operating Lease Right-of-Use Assets	**382,388**	286,016	237,487
Amortization of Operating Lease Liabilities	**(382,388)**	(286,016)	(237,487)
Amortization of Investment in Tax Credit	**405,126**	129,452	-
Stock Based Compensation Expense	**116,686**	-	-
Changes in			
Loans Held for Sale	**700,563**	2,914,883	(4,418,346)
Accrued Income and Other Assets	**(3,062,450)**	827,729	146,359
Accrued Expenses and Other Liabilities	**(2,927,681)**	3,233,478	676,107
Net Cash Provided by Operating Activies	**22,551,613**	34,486,387	18,696,015
Cash Flows from Investing Activities			
Net Change in Loans to Customers	**(128,521,540)**	(98,551,385)	(99,230,101)
Proceeds from Sales of Loans	**-**	384,456	2,053,231
Net Change in Interest-Bearing Time Deposits in Other Banks	**250,000**	-	1,000,000
Purchase of Available Sale Securities	**-**	(88,288,319)	(107,326,745)
Proceeds from Sales of Available for Sale Securities	**-**	7,555,952	89,271
Proceeds from Maturities/Calls/Paydowns of Available for Sale Securities	**-**	38,128,266	31,353,232
Purchase of Held to Maturity Securities	**(30,211,429)**	(753,369)	(8,250,000)
Proceeds from Maturities/Calls/Paydowns of Held to Maturity Securities	**24,611,602**	239,327	251,870
Proceeds from Redemption of Federal Home Loan Bank Stock	**-**	275,400	-
Purchase of Federal Home Loan Bank Stock	**(954,100)**	-	(56,800)
Purchase of Equity Investment	**-**	-	(3,500,000)
Purchase of Investment Tax Credit	**(3,147,349)**	(1,323,564)	-
Property and Equipment Expenditures	**(413,672)**	(536,785)	(668,174)
Proceeds from Sales of Property and Equipment	**369,972**	-	17,500
Proceeds from Sales of Other Real Estate and Repossessed Assets	**905,491**	270,505	946,977
Net Cash Used by Investing Activities	**(137,111,025)**	(142,599,516)	(183,319,739)
Cash Flows from Financing Activities			
Net Change in Deposits	**(17,747,949)**	137,017,433	209,660,744
Proceeds from Other Borrowed Funds	**20,000,000**	-	15,000,000
Repayment of Other Borrowed Funds	**-**	-	(571,429)
Purchase of Treasury Stock	**(502,672)**	(28,347)	(285,565)
Proceeds from Issuance of Common Stock	**564,718**	1,071,457	-
Cash Dividends Paid	**(3,722,220)**	(3,190,523)	(3,679,869)
Net Cash Provided (Used) by Financing Activities	**(1,408,123)**	134,870,020	220,123,881
Net Increase (Decrease) in Cash and Cash Equivalents	**(115,967,535)**	26,756,891	55,500,157
Cash and Cash Equivalents, Beginning	**176,247,563**	149,490,672	93,990,515
Cash and Cash Equivalents, Ending	**$ 60,280,028**	$ 176,247,563	$ 149,490,672

See accompanying notes which are an integral part of these financial statements.

MORRIS STATE BANCSHARES, INC., AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2022	2021	2020
Cash Payments			
Interest on Deposits	**$ 4,529,247**	$ 2,475,199	$ 5,265,435
Interest on Borrowings	**$ 1,740,641**	$ 1,563,004	$ 1,134,753
Income Taxes	**$ -**	$ 650,000	$ 3,600,000
Noncash Items			
Changes in Unrealized Gain/Loss on Securities Available for Sale	**$ (1,007,947)**	$ (3,768,416)	$ 5,760,658
Transfer of Loans to Other Real Estate and Foreclosed Assets	**$ 235,897**	$ 5,749,910	$ 765,841
Transfer of Other Real Estate and Foreclosed Assets to Loans	**$ 1,556,235**	$ 126,174	$ -
Initial Recognition of Operating Lease Right-of-Use Assets	**$ 672,107**	$ 884,834	$ 358,894
Initial Recognition of Operating Lease Liabilities	**$ (672,107)**	$ (884,834)	$ (358,894)
Transfer of Securities from Available for Sale to Held to Maturity	**$ 244,979,034**	$ -	$ -
Stock Grant Forfeitures	**$ (91,403)**	$ -	$ -

See accompanying notes which are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Morris State Bancshares, Inc. (the Company) and Subsidiaries conform with generally accepted accounting principles in the United States of America (GAAP) and with general practices within the banking industry. The following is a description of the more significant of those policies the Company follows in preparing and presenting its financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Morris State Bancshares, Inc. and its wholly-owned subsidiaries, Morris Bank (the Bank) and IMOR Properties LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Reporting Entity

The Company was formed on July 1, 1989, as Morris State Bancshares, Inc., and operates as a bank holding company with one bank subsidiary. At December 31, 2021, the Company owned 100 percent of Morris Bank, Dublin, Georgia. The Bank provides a variety of financial services to individuals and small businesses through its offices in middle Georgia. The Bank offers a full range of commercial and personal loan products. The Bank makes loans to individuals for purposes such as home mortgage financing, personal vehicles and various consumer purchases and other personal and family needs. The Bank makes commercial loans to businesses for purposes such as providing equipment and machinery purchases, commercial real estate purchases and working capital. The Bank offers a full range of deposit services that are typically available from financial institutions, including Negotiable Order of Withdrawal (NOW) accounts, demand, savings, and other time deposits. In addition, retirement accounts such as Individual Retirement Accounts are available. All deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum amount currently permitted by law.

During 2015, the Company established IMOR Properties, LLC with 100 percent ownership. IMOR Properties, LLC was established by the Company as a subsidiary for holding real property.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets and assumed liabilities are recorded at their estimated fair values as of the purchase date. Any identifiable intangible assets are also recorded at fair value. When the fair value of the assets purchased exceeds the fair value of liabilities assumed, it results in a "bargain purchase gain." If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Because deposit liabilities and the related customer relationship intangible assets may be exchanged in a sale or exchange transaction, the intangible asset associated with the depositor relationship is considered identifiable.

(1) Summary of Significant Accounting Policies (Continued)

Acquisition Accounting (Continued)

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date and prohibit the carryover of the related allowance for loan losses. When the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments, the difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The Company must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior provisions and adjust accretable discount if no prior provisions have been made. This increase in accretable discount will have a positive impact on interest income. In addition, purchased loans without evidence of credit deterioration are also handled under this method.

Securities

The classification of securities is determined at the date of purchase. Gains or losses on the sale of securities are recognized on a specific identification basis.

Securities available for sale, primarily debt securities, are recorded at fair value with unrealized gains or losses excluded from earnings and reported as a component of shareholders' equity. Securities available for sale will be used as a part of the Company's interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment risk, and other factors.

Held-to-maturity securities, primarily debt securities, are stated at cost, net of the amortization of premium and the accretion of discount. The Company intends and has the ability to hold such securities on a long-term basis or until maturity.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts.

The market value of securities is generally based on quoted market prices. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans and Interest Income

Loans are stated at the amount of unpaid principal, reduced by net deferred loan fees, unearned discounts, and a valuation allowance for possible loan losses. Interest on simple interest installment loans and other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loans are generally placed on nonaccrual status when full payment of principal or interest is in doubt, or when they are past due 90 days as to either principal or interest. Senior management may grant a waiver from nonaccrual status if a past due loan is well secured and in process of collection. A nonaccrual loan may be restored to accrual status when all principal and interest amounts contractually due, including payments in arrears, are reasonably assured of repayment within a reasonable period, and there is a sustained period of performance by the borrower in accordance with the contractual terms of the loan. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

(1) Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses is available to absorb losses inherent in the credit extension process. The entire allowance is available to absorb losses related to the loan and lease portfolio and other extensions of credit, including off-balance sheet credit exposures. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses. Additions to the allowance for loan losses are made by charges to the provision for loan losses.

The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

A loan is considered impaired when, based on current information and events, it is probable that a creditor will not be able to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Substantially all of the Bank's loans, which have been identified as impaired, have been measured by the fair value of existing collateral.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer loans for impairment disclosures.

Premises and Equipment

Land is carried at cost. Other premises and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to operating expenses over the estimated useful lives of the assets and is computed on the straight-line method. In general, estimated lives for buildings are up to 40 years, furniture, and equipment (including vehicles) useful lives range from five to 20 years, and the lives of software and computer related equipment range from three to five years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company's premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

(1) Summary of Significant Accounting Policies (Continued)

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of the net assets purchased in business combinations. Goodwill is required to be tested annually for impairment or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value is charged to earnings. At December 31, 2022, the Company's annual testing identified no impairment; accordingly, no impairment was recorded for the year.

Intangible assets consist of core deposit premiums acquired in connection with business combinations and are based on the established value of acquired customer deposits. The core deposit premium is initially recognized based on a valuation performed as of the consummation date and is amortized over an estimated useful life of ten years. Amortization periods are reviewed annually in connection with the annual impairment testing of goodwill.

Other Real Estate

Other real estate, acquired principally through foreclosure, is stated at fair value less cost to sell. Loan losses incurred in the acquisition of these properties are charged against the allowance for possible loan losses at the time of foreclosure. Subsequent write-downs of other real estate owned are charged against the current period's expense. Operating costs after acquisition are expensed.

Cash Surrender Value of Life Insurance (BOLI)

The Bank has purchased life insurance on the lives of certain Bank officers. The beneficial aspects of these life insurance policies are tax-free earnings and a tax-free death benefit, which are realized by the Bank as the owner of the policies. The cash surrender value of these policies is included as an asset on the balance sheets, and any increases in cash surrender value are recorded as noninterest income in the consolidated statements of income

Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of the future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment on the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred taxes are provided on a liability method whereby 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 reported amounts of assets and liabilities and their 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.

(1) Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes currently payable and the provision for income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized on the Company's tax return, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward amount.

The Company recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

The Company recognizes interest and penalties related to income tax matters in income tax expense.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, highly liquid debt instruments purchased with an original maturity of three months or less, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Securities Sold Under Agreement to Repurchase

Securities sold under agreement to repurchase are secured borrowings from customers and are treated as financing activities which are carried at the amounts at which the securities will be subsequently reacquired as specified in the respective agreements. The Bank had no such items outstanding as of December 31, 2022 or 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

(1) Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Advertising Costs

It is the policy of the Company to expense advertising costs as they are incurred. The Company does not engage in any direct-response advertising and accordingly has no advertising costs reported as assets on its consolidated balance sheets. Amounts charged to advertising expense for the years ended December 31, 2022, 2021 and 2020 were $885,724, $822,515, and $718,044, respectively.

Stock Compensation Plans

The Bank has an employee stock ownership plan covering substantially all of its employees meeting age and length of service requirements. Contributions to the plan are made at the discretion of the board of directors. The Bank also adopted a 401(k) Plan during 1996 covering those employees qualifying for coverage under the employee stock ownership plan. Contributions to the plan are made at the discretion of the board of directors. The employee stock ownership plan and 401(k) Plan have merged into a single plan known as 401kSOP. The Company also has a stock ownership plan which grants stocks to selected executives and other key employees. Stock grants under this plan vest over a period of three or five years. In 2018 the Company adopted an equity incentive plan. Under this plan, the Company has granted equity incentive units, stock appreciation rights, as well as, restricted stock units.

Earnings Per Common Share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed conversion. Potentially dilutive common shares are limited to preferred shares outstanding that would be converted to common shares upon change in control of the Company. As such, the average number of common shares outstanding used to calculate diluted earnings per share equals the total number of common and preferred shares outstanding less any shares held in treasury.

(1) Summary of Significant Accounting Policies (Continued)

Earnings Per Common Share (Continued)

Earnings per common share have been computed based on the following for the years ended December 31:

	2022	2021	2020
Net Income Applicable to Common Shares	**$21,108,630**	$ 23,964,288	$ 17,407,989
Average Number of Common Shares Outstanding	**2,115,032**	2,102,359	2,095,633
Effect of Dilutive Options, Warrants, Etc.	**-**	-	-
Average Number of Common Shares Outstanding Used to Calculate Diluted Earnings Per Common Share	**2,115,032**	2,102,359	2,095,633

Comprehensive Income

GAAP generally requires that recognized revenues, expenses, gains, and losses be included in net earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheets, such items along with net earnings, are components of comprehensive income. The adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 220, Comprehensive Income*, had no effect on the Company's net income or shareholders' equity. The Company presents comprehensive income in a separate consolidated statement of comprehensive income.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified to conform to the presentation of current-year financial statements.

Federal Home Loan Bank Stock

Investment in stock of a Federal Home Loan Bank (FHLB) is required for every federally insured institution that utilizes its services. FHLB stock is considered restricted, as defined in FASB ASC *Topic 320, Investments - Debt and Equity Securities*; accordingly, the provisions of ASC *Topic 320* are not applicable to this investment. The FHLB stock is reported in the consolidated financial statements at cost. Dividend income is recognized when earned.

Equity Investment

In December 2020, the Bank made a $3,500,000 perpetual investment in Commerce Home Mortgage. Commerce Home Mortgage is a Community Reinvestment Act (CRA) credit origination firm, that will assist the Bank in meeting its CRA requirements. The Bank's investment is less than 20 percent and has been recorded at cost.

(1) Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements

Accounting Standards Update (ASU) 2016-13 - *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended.* The Financial Accounting Standards Board (FASB) issued Topic 326 to replace the incurred loss model for loan and other financial assets with an expected loss model, which is referred to as the current expected loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to off balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases recognized by a lessor. In addition, the amendments in Topic 326 require credit losses on available for sale debt securities to be presented as a valuation allowance rather than a direct write down. The standard will be effective for the Company for fiscal years beginning after December 15, 2022. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosure*, which eliminated the recognition and measurement guidance for Troubled Debt Restructurings (TDR) by creditors in ASC 310-40. The ASU also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity will apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. The amendments in the ASU are effective for fiscal years beginning after December 15, 2022. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

(2) Investment Securities

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The following table reflects the amortized cost and estimated market values of investments in debt and equity securities held at December 31, 2022 and 2021. In addition, gross unrealized gains and gross unrealized losses are disclosed as of December 31.

The book and market values of securities available for sale were:

	2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Nonmortgage Backed Debt Securites of				
U.S. Government Agencies	$ 500,000	$ 8,094	$ -	$ 508,094
U.S. Treasury Securities	13,319,904	377,215	(3,174)	13,693,945
State, County and Municipal Securities	130,776,341	3,882,031	(995,701)	133,662,671
Other Debt Securities	8,922,518	183,782	(7,388)	9,098,912
Total Nonmortgage Backed Debt Securities	153,518,763	4,451,122	(1,006,263)	156,963,622
Mortgage Backed Securities				
Residential Mortgage Backed Securities	16,005,869	562,213	(34,873)	16,533,209
Commercial Mortgage Backed Securities	71,145,080	945,858	(608,735)	71,482,203
Total Mortgage Backed Securities	87,150,949	1,508,071	(643,608)	88,015,412
	$ 240,669,712	$ 5,959,193	$ (1,649,871)	$ 244,979,034

(2) Investment Securities (Continued)

In January 2022, the Company transferred the entire investment portfolio with an estimated fair value of $244,979,034 from the available for sale to held to maturity classification. The transfer of debt securities into the held to maturity category was recorded at fair value on the date of transfer. The net unrealized gains on the transfer date are included in accumulated other comprehensive income and are being accreted over the remaining lives of the securities. This accretion is expected to offset the amortization of the related premium created by the investment securities transfer into the held to maturity classification, with no expected impact on future net income.

The book and market values of securities held-to-maturity as of December 31 were as follows:

	2022			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Estimated Market Value**
Nonmortgage Backed Debt Securites of				
U.S. Treasury Securities	**$ 20,649,350**	**$ -**	**$ (1,568,490)**	**$ 19,080,860**
State, County, and Municipal Securities	**128,721,879**	**33,230**	**(26,235,422)**	**102,519,687**
Other Debt Securities	**15,231,731**	**16,590**	**(896,728)**	**14,351,593**
Total Nonmortgage Backed Debt Securities	**164,602,960**	**49,820**	**(28,700,640)**	**135,952,140**
Residential Mortgage Backed Securities	**22,812,779**	**-**	**(2,288,508)**	**20,524,271**
Commercial Mortgage Backed Securities	**72,261,769**	**45,426**	**(3,609,122)**	**68,698,073**
Total Mortgage Backed Securities	**95,074,548**	**45,426**	**(5,897,630)**	**89,222,344**
	$ 259,677,508	**$ 95,246**	**$ (34,598,270)**	**$ 225,174,484**

Amortized costs presented above include $3,296,464 of unamortized gains related to the transfer from available for sale to held to maturity.

	2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Market Value
Nonmortgage Backed Debt Securites of				
State, County, and Municipal Securities	$ 3,318,439	$ 205,302	$ -	$ 3,523,741
Other Debt Securities	6,250,000	166,690	-	6,416,690
Total Nonmortgage Backed Debt Securities	9,568,439	371,992	-	9,940,431
Residential Mortgage Backed Securities	803,628	12,369	-	815,997
Commercial Mortgage Backed Securities	751,186	-	(13,794)	737,392
Total Mortgage Backed Securities	1,554,814	12,369	(13,794)	1,553,389
	$ 11,123,253	$ 384,361	$ (13,794)	$ 11,493,820

The book and market values of pledged securities were $85,028,733 and $77,680,520 at December 31, 2022, respectively and $65,461,678 and $66,511,170 at December 31, 2021, respectively.

(2) Investment Securities (Continued)

The proceeds from sales/calls of securities and the associated gains and losses are as follows as of December 31:

	2022	2021	2020
Proceeds	**$ -**	$ 7,555,952	$ 89,271
Gross Gains	**-**	383,391	46,323
Gross Losses	**326**	83,521	-

Taxable interest income on securities was $5,267,862, $4,395,513 and $3,016,702 for the years ended December 31, 2022, 2021 and 2020, respectively. Interest income exempt from Federal income tax was $2,026,432, $1,499,845 and $998,754 for the years ended December 31, 2022, 2021 and 2020 respectively.

The amortized cost and estimated market value of debt securities held-to-maturity at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Nonmortgage Backed Securities		
Due In One Year or Less	$ 4,821,989	$ 4,763,731
Due After One Year Through Five Years	39,746,188	37,385,596
Due After Five Years Through Ten Years	86,666,804	69,743,189
Due After Ten Years	33,367,979	24,059,624
Total Nonmortgage Backed Securities	164,602,960	135,952,140
Mortgage Backed Securities		
Residential Mortgage Backed Securities	22,812,779	20,524,271
Commercial Mortgage Backed Securities	72,261,769	68,698,073
Total Mortgage Backed Securities	95,074,548	89,222,344
	$ 259,677,508	$ 225,174,484

The market value is established by an independent pricing service as of the approximate dates indicated. The differences between the book value and market value reflect current interest rates and represent the potential loss (or gain) had the portfolio been liquidated on that date. Security losses (or gains) are realized only in the event of dispositions prior to maturity.

At December 31, 2022 and 2021, the Company did not hold investment securities of any single issuer, other than obligations of the U. S. Treasury and other U. S. Government agencies, whose aggregate book value exceeded ten percent of shareholders' equity.

(2) Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2022 and 2021, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	2022			
	Less Than Twelve Months		Twelve Months Or More	
Securities Held To Maturity	**Unrealized Losses**	**Estimated Market Value**	**Unrealized Losses**	**Estimated Market Value**
Nonmortgage Backed Debt Securities of				
U.S. Treasury Securities	**$ 610,901**	**$12,564,297**	**$ 957,589**	**$ 6,516,563**
State, County and Municipal Securities	**5,632,382**	**36,440,981**	**20,603,040**	**64,131,606**
Other Debt Securities	**681,707**	**6,914,027**	**215,021**	**2,170,976**
Total Nonmortgage Backed Debt	**6,924,990**	**55,919,305**	**21,775,650**	**72,819,145**
Mortgage Backed Securities				
Residential Mortgage Backed Securities	**1,538,379**	**15,766,873**	**750,129**	**4,757,399**
Commercial Mortgage Backed Securities	**1,548,156**	**23,009,290**	**2,060,966**	**13,236,378**
	3,086,535	**38,776,163**	**2,811,095**	**17,993,777**
	$ 10,011,525	**$94,695,468**	**$24,586,745**	**$90,812,922**

	2021			
	Less Than Twelve Months		Twelve Months Or More	
Securities Available for Sale	Unrealized Losses	Estimated Market Value	Unrealized Losses	Estimated Market Value
Nonmortgage Backed Debt Securities of				
U.S. Treasury Securities	$ 3,174	$ 2,958,281	$ -	$ -
State, County and Municipal Securities	795,774	46,094,121	199,927	6,655,920
Other Debt Securities	1,015	498,985	6,373	3,048,663
Total Nonmortgage Backed Debt Securities	799,963	49,551,387	206,300	9,704,583
Mortgage Backed Securities				
Residential Mortgage Backed Securities	34,873	3,946,084	-	-
Commercial Mortgage Backed Securities	608,735	11,126,548	-	-
Total Mortgage Backed Securities	643,608	15,072,632	-	-
	$ 1,443,571	$ 64,624,019	$ 206,300	$ 9,704,583
Securities Held To Maturity				
Commercial Mortgage Backed Securites	$ 13,794	$ 737,392	$ -	$ -

(2) Investment Securities (Continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2022, the Company held 214 debt securities that had unrealized losses with aggregate depreciation of 15.7 percent from the Company's amortized cost basis.

As of December 31, 2022, the Company held twelve U.S. treasury security, thirty-five commercial mortgage-backed securities and thirty-two residential mortgage-backed security that were in an unrealized loss position, all of which were issued by U.S. government sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

As of December 31, 2022, the Company held one hundred and twenty-five state, county, and municipal securities that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

As of December 31, 2022, the Company held ten corporate bonds that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, management does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

(3) Loans

The Company engages in a full complement of lending activities, including real estate-related loans, commercial and industrial loans, and consumer installment loans. The majority of its lending activities are concentrated in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio.

(3) Loans (Continued)

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans' receivable categories at December 31are presented in the following table:

	2022	2021
Commercial	**$ 90,718,062**	$ 111,490,457
Commercial Real Estate	**624,107,229**	507,882,095
Consumer	**20,943,524**	21,941,161
Residential Real Estate	**264,478,706**	229,646,055
Agriculture	**48,748,650**	50,429,840
Other	**1,821,098**	1,901,234
Total Loans	**1,050,817,269**	923,290,842
Other		
Loans Held for Sale	**1,939,500**	2,640,063
Overdraft, In-Process and Suspense Accounts	**(868,480)**	295,230
Total Other	**1,071,020**	2,935,293
Gross Loans	**1,051,888,289**	926,226,135
Allowance for Loan Losses	**(13,629,255)**	(12,008,416)
Net Loans	**$ 1,038,259,034**	$ 914,217,719

Overdrafts included in loans were $219,378 and $584,612 at December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, commercial loans include approximately $32,000 and $9,974,000, respectively, of loans originated under the U.S. Small Business Administration (the SBA) Paycheck Protection Program. The Company expects all remaining balances to be forgiven by the SBA.

Nonaccrual and Past Due Loans

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as nonaccrual is recognized when received. Past due loans are loans, whose principal or interest is 30 days or more past due. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

A loan is placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful. Interest receivable that has been accrued and is subsequently determined to have doubtful collectability is charged to interest income. Interest on loans that are classified as nonaccrual is recognized when received. Past due loans are loans, whose principal or interest is 30 days or more past due. In some cases, where borrowers are experiencing financial difficulties, loans may be restructured to provide terms significantly different from the original contractual terms.

(3) Loans (Continued)

Nonaccrual and Past Due Loans (Continued)

The following tables present an analysis of past due loans and loans accounted for on a nonaccrual basis as of December 31:

2022

	Current and < 30 Days Past Due	Past Due and Still Accruing: 30-59 Days Past Due	Past Due and Still Accruing: 60-89 Days Past Due	Past Due and Still Accruing: 90 Days or More Past Due	Past Due and Still Accruing: Total Accruing Past Due	Nonaccrual	Total Loans
Commercial	$ 90,061,059	$ 242,627	$ 100,026	$ -	$ 342,653	$ 314,350	$ 90,718,062
Commercial Real Estate	621,415,736	1,214,430	99,900	-	1,314,330	1,377,163	624,107,229
Consumer	20,389,169	267,842	105,556	-	373,398	180,957	20,943,524
Residential Real Estate	262,069,691	579,423	173,528	-	752,951	1,656,064	264,478,706
Agriculture	48,546,280	-	-	-	-	202,370	48,748,650
Other	1,821,098	-	-	-	-	-	1,821,098
Total	$ 1,044,303,033	$ 2,304,322	$ 479,010	$ -	$ 2,783,332	$ 3,730,904	1,050,817,269
Loans Held for Sale							1,939,500
Overdraft, In-process and Suspense Accounts							(868,480)
							$ 1,051,888,289

2021

	Current and < 30 Days Past Due	Past Due and Still Accruing: 30-59 Days Past Due	Past Due and Still Accruing: 60-89 Days Past Due	Past Due and Still Accruing: 90 Days or More Past Due	Past Due and Still Accruing: Total Accruing Past Due	Nonaccrual	Total Loans
Commercial	$ 110,712,806	$ 374,512	$ 126,641	$ -	$ 501,153	$ 276,498	$ 111,490,457
Commercial Real Estate	505,975,838	217,485	603,505	-	820,990	1,085,267	507,882,095
Consumer	21,276,432	395,122	109,693	-	504,815	159,914	21,941,161
Residential Real Estate	226,527,088	1,733,823	424,475	-	2,158,298	960,669	229,646,055
Agriculture	50,174,586	-	-	-	-	255,254	50,429,840
Other	1,901,234	-	-	-	-	-	1,901,234
Total	$ 916,567,984	$ 2,720,942	$ 1,264,314	$ -	$ 3,985,256	$ 2,737,602	923,290,842
Loans Held for Sale							2,640,063
Overdraft, In-process and Suspense Accounts							295,230
							$ 926,226,135

(3) Loans (Continued)

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and troubled debt restructurings. If a loan is deemed impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis.

The following is a summary of information pertaining to interest income on impaired loans as of December 31:

	2022		
	Average Investment in Impaired Loans	**Interest Income Recognized on Impaired Loans**	**Interest Income Recognized on Cash Basis on Impaired Loans**
Commercial	**$ 188,783**	**$ 10,287**	**$ 9,075**
Commercial Real Estate	**5,542,724**	**212,481**	**216,148**
Consumer	**-**	**-**	**-**
Residential Real Estate	**911,722**	**61,298**	**54,973**
Agriculture	**204,930**	**11,941**	**-**
Total	**$ 6,848,159**	**$ 296,007**	**$ 280,196**

	2021		
	Average Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Recognized on Cash Basis on Impaired Loans
Commercial	$ 160,243	$ 10,893	$ 9,970
Commercial Real Estate	7,095,864	245,117	259,589
Consumer	-	-	-
Residential Real Estate	579,227	17,444	9,928
Agriculture	286,542	(5,858)	-
Total	$ 8,121,876	$ 267,596	$ 279,487

	2020		
	Average Investment in Impaired Loans	Interest Income Recognized on Impaired Loans	Interest Income Recognized on Cash Basis on Impaired Loans
Commercial	$ 131,330	$ 14,187	$ 27,113
Commercial Real Estate	9,464,373	178,887	182,287
Consumer	-	-	-
Residential Real Estate	718,030	34,048	26,296
Agriculture	574,188	37,695	15,951
Total	$ 10,887,921	$ 264,817	$ 251,647

(3) Loans (Continued)

Impaired Loans (Continued)

The following is an analysis of information pertaining to impaired loans as of December 31:

	2022				
	Unpaid Total Principal Balance	**Recorded Investment With No Allowance**	**Recorded Investment With Allowance**	**Total Recorded Investment**	**Related Allowance**
Commercial	**$ 254,393**	**$ -**	**$ 254,393**	**$ 254,393**	**$ 2,341**
Commercial Real Estate	**5,440,480**	**74,849**	**5,365,631**	**5,440,480**	**405,466**
Residential Real Estate	**1,300,369**	**691,252**	**609,117**	**1,300,369**	**99,174**
Agriculture	**202,370**	**202,370**	**-**	**202,370**	**-**
Total	**$ 7,197,612**	**$ 968,471**	**$ 6,229,141**	**$ 7,197,612**	**$ 506,981**

	2021				
	Unpaid Total Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance
Commercial	$ 123,174	$ -	$ 123,174	$ 123,174	$ 4,238
Commercial Real Estate	5,644,968	959,404	4,685,564	5,644,968	43,827
Residential Real Estate	523,075	81,165	441,910	523,075	16,660
Agriculture	207,490	207,490	-	207,490	-
Total	$ 6,498,707	$ 1,248,059	$ 5,250,648	$ 6,498,707	$ 64,725

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net, due to immateriality.

(3) Loans (Continued)

Credit Quality Indicators

The Company uses a nine-category risk grading system to assign a risk grade to each loan in the portfolio. The following is a description of the general characteristics of the grades:

Grade 1 - Excellent Risk

Loans in this category are considered to have very little, if any, credit risk. The following characteristics are common for loans in this category:

- Loan is fully secured by cash or cash equivalents.
- Loan is secured by marketable securities with no less than a 25 percent margin.
- There are no material exceptions to the Bank's loan policy.
- Alternative sources of cash exist, such as commercial paper market, capital market, internal liquidity, or other bank lines.
- Borrower is a national or regional company with excellent cash flow which covers all debt service requirements and a significant portion of capital expenditures.
- Balance sheet strength and liquidity are excellent and exceed industry norms.
- Financial trends are positive.
- Borrower is a market leader within the industry, and industry performance is excellent.
- Borrower is of unquestioned strength. Financial wherewithal is known.
- Borrower exhibits excellent liquidity, net worth, cash flow, and leverage.

Grade 2 - High Quality

Loans in this category are considered to be an excellent credit risk with minimal risk of loss. The following characteristics are common for loans in this category:

- Loan is secured by marketable securities with margin below 25 percent.
- There are no material exceptions to the Bank's loan policy.
- Borrower has stable and reliable cash flow and above-average liquidity.
- Borrower exhibits moderate risk from exposure to contingent liabilities.
- Borrower has strong, stable financial trends.
- Borrower has strong cash flow which covers all debt service requirements and some portion of capital expenditures.
- Alternative sources of repayment are evident and financial ratios are comparable to or exceed the industry norms.
- Borrower holds a prominent position in the industry or local economy.
- Borrower's industry's performance is above average.
- Management is strong in most areas and with good back-up depth.

(3) Loans (Continued)

Credit Quality Indicators (Continued)

Grade 3 - Average Risk

Loans in this category are considered to be of normal risk and of average quality. The following characteristics are common for loans in this category:

- Borrower has reliable cash flow, but alternative sources of repayment would require sale of assets that may be considered illiquid.
- Borrower's financial position has been leveraged to an average degree or individual has an average net worth position considering income and debt.
- Cash flow is adequate to cover all debt service requirements but not capital expenditures.
- Balance sheet may be leveraged but still comparable to the industry.
- Financial trends are stable to mixed over long-term, but no significant concerns exist at this time.
- Borrower's industry has a generally stable outlook and may have some cyclical characteristics.
- Borrower holds an average position in the industry or local economy.
- Management is considered capable and stable.
- Start-up venture with experienced management, adequate capitalization, and favorable performance versus projections.

Grade 4 - Acceptable

Loans in this category are considered to be of above-average risk or of below-average quality. The following characteristics are common for loans in this category:

- Borrower's sources of income or cash flow have become unstable or limited.
- Borrower's income has declined due to current business or economic conditions.
- Borrower has a somewhat highly leveraged condition and limited capital.
- Moderate history of some degree of slow payment.
- Loan conditions require more frequent monitoring than the higher-graded loans.
- Stability is lacking in the primary repayment source, cash flow, credit history, or liquidity, however, the instability is manageable and considered temporary.
- Overall trends are not yet adverse.
- Loan involves speculative activity where the primary source for repayment is the activity itself and the borrower has limited ability to support the debt outside the successful completion of the activity.

Grade 5 - Watch

Loans in this category have potential financial weaknesses, the loan officer may not have properly supervised the credit, or material collateral exceptions exist. This category includes loans which do not presently expose the Bank to a sufficient degree of risk to warrant adverse classification but do possess credit deficiencies deserving of management's close attention. Failure to correct deficiencies could result in greater credit risk in the future. The following characteristics are common for loans in this category:

- There is a material exception to the Bank's loan policy.
- Management has potential weakness and back-up depth is weak.
- Principal and interest are currently protected through sufficient cash flows, collateral values, or secondary repayment sources, but downward trends in profitability and cash flow are evident.
- Financial leverage is excessive, and margins and financial ratios fall below industry averages.
- Adequate financial statements are not produced and/or provided timely, or the borrower exhibits an uncooperative attitude.
- Moderate delinquency may exist from time to time.
- A loss may not be readily apparent, but sufficient problems have arisen to cause the lender to go to abnormal lengths to protect its position.

(3) Loans (Continued)

Credit Quality Indicators (Continued)

Grade 6 - Substandard

Loans in this category display a well-defined weakness or weaknesses that may jeopardize collection of the debt. Assets do not appear to possess any loss but exhibit more than a normal degree of risk. Lack of continued close attention on the part of the Bank could result in deterioration and potential loss. The following characteristics are common for loans in this category:

- Cash flows are not sufficient to meet scheduled obligations and/or the financial strengths of the guarantors are questionable.
- Losses have eroded the net worth so that survivability of the business is in question.
- Primary and secondary sources of repayment are believed to offer marginal protection to the credit.
- Repayment of debt is likely to come from the liquidation of collateral or payments from guarantors.
- Past due problems are apparent.
- The loan has been placed on nonaccrual status and/or is in bankruptcy with current repayment history for less than three months.
- The value of the collateral is questionable or has declined significantly.

Grade 7 - Impaired

Loans in this category have been classified as impaired. The classification of impaired is based upon the likelihood that the Bank will not be able to collect all principal and interest under the original terms of the note. The following characteristics are common for loans in this category:

- Loan has been placed on nonaccrual.
- Repayment of the debt is dependent upon the sale of collateral.
- The value of the collateral has declined such that its liquidation would not be sufficient to retire the debt.
- Repayment is dependent upon cash flows, and the cash flows are no longer sufficient to cover principal and interest payments under the terms of the debt.

Grade 8 - Doubtful

Loans in this category have all the weaknesses inherent in those classified 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. The following characteristics are common for loans in this category:

- Borrower is having financial difficulties, and the collateral does not cover the loan balance.
- Loan is unsecured and repayment is highly questionable.
- Bank's access or rights to the collateral is unclear (e.g., because the lender's lien is subordinate to substantial other liens or there is a dispute over title to the collateral).
- Business is on the verge of closing, being sold, or liquidated.

Grade 9 - Loss

Loans in this category are considered not collectible and of such little value that their continuance as active assets are not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

(3) Loans (Continued)

Credit Quality Indicators (Continued)

The following tables present the loan portfolio by risk grade as of December 31:

	2022						
	Commercial	**Commercial Real Estate**	**Consumer**	**Residential Real Estate**	**Agriculture**	**Other**	**Total**
Grade 1 (Excellent Risk)	**$ 3,300,816**	**$ -**	**$ 1,123,074**	**$ -**	**$ 68,298**	**$ -**	**$ 4,492,188**
Grade 2 (High Quality)	**-**	**828**	**65,653**	**-**	**-**	**-**	**66,481**
Grade 3 (Average Risk)	**734,362**	**5,240,288**	**81,049**	**1,910,243**	**861,683**	**514,270**	**9,341,895**
Grade 4 (Acceptable)	**85,322,691**	**612,323,741**	**19,161,439**	**257,592,764**	**46,524,252**	**1,306,828**	**1,022,231,715**
Grade 5 (Watch)	**706,791**	**3,006,577**	**145,923**	**2,734,115**	**1,072,184**	**-**	**7,665,590**
Grade 6 (Substandard)	**397,010**	**261,399**	**366,386**	**941,215**	**19,862**	**-**	**1,985,872**
Grade 7 (Impaired)	**254,393**	**3,274,396**	**-**	**1,300,369**	**202,371**	**-**	**5,031,529**
Grade 8 (Doubtful)	**1,999**	**-**	**-**	**-**	**-**	**-**	**1,999**
Grade 9 (Loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	$ 90,718,062	**$ 624,107,229**	**$ 20,943,524**	**$ 264,478,706**	**$ 48,748,650**	**$ 1,821,098**	**1,050,817,269**
Loans Held for Sale							**1,939,500**
Overdraft, In-Process, and Suspense Accounts							**(868,480)**
Total Loans							**$ 1,051,888,289**

	2021						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Grade 1 (Excellent Risk)	$ 14,772,491	$ -	$ 1,108,930	$ -	$ 43,580	$ -	$ 15,925,001
Grade 2 (High Quality)	-	6,388	67,924	-	-	-	74,312
Grade 3 (Average Risk)	656,839	6,913,158	125,405	2,364,607	1,422,628	556,643	12,039,280
Grade 4 (Acceptable)	91,657,853	488,889,531	20,200,713	223,240,300	47,747,742	1,344,591	873,080,730
Grade 5 (Watch)	2,483,791	8,052,363	106,264	2,318,650	960,636	-	13,921,704
Grade 6 (Substandard)	1,911,536	843,326	328,090	1,199,423	47,764	-	4,330,139
Grade 7 (Impaired)	-	3,177,329	-	523,075	207,490	-	3,907,894
Grade 8 (Doubtful)	7,947	-	3,835	-	-	-	11,782
Grade 9 (Loss)	-	-	-	-	-	-	-
	$ 111,490,457	$ 507,882,095	$ 21,941,161	$ 229,646,055	$ 50,429,840	$ 1,901,234	923,290,842
Loans Held for Sale							2,640,063
Overdraft, In-Process and Suspense Accounts							295,230
Total Loans							$ 926,226,135

Troubled Debt Restructurings (TDRs)

The restructuring of a loan is deemed to be a TDR if the borrower is experiencing financial difficulties and the Company grants certain concessions to the borrower that it would not otherwise consider for new debt with similar risk characteristics. Loan modifications are reviewed and approved by the Company's senior lending staff, who then determine whether the loan meets the criteria for a TDR. In order to determine whether a borrower is experiencing financial difficulties, 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 modification. This evaluation is conducted under the Company's internal underwriting process. Concessions that may be granted include interest rate reductions, principal, or interest forgiveness, restructuring of amortization schedules or maturity date, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. Each potential loan modification is reviewed individually, and the terms of the loan are modified to meet the borrower's specific circumstances at a point in time. Not all loan modifications are TDRs. Generally, a nonaccrual loan that has been modified in a TDR remains on nonaccrual status for a period subsequent of modification to demonstrate that the borrower is able to meet the terms of the modified loan.

(3) Loans (Continued)

Troubled Debt Restructurings (TDRs)(Continued)

However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains on nonaccrual status. Once a loan is modified in a troubled debt restructuring, it is accounted for as an impaired loan, regardless of its accrual status, until the loan is paid in full, sold or charged off.

As of December 31, 2022, and 2021, the Company had a recorded investment in TDRs of $4,207,288, and $5,212,168, respectively. The Company had previous charge offs of $-0- and $168,634 on such loans as of December 31, 2022 and 2021, respectively. The Company's allowance for loan losses included an allocation of $85,654 and $46,290 of specific allowance for those loans as of December 31, 2022 and 2021, respectively. The Company had no unfunded commitments to lend to customers with loans modified as TDRs as of December 31, 2022.

The following table presents loans modified as TDRs by class of loan and type of modification that occurred during the years ended December 31:

	2022		
	Number of Loans	Recorded Investment Prior to Modification	Recorded Investment After Modification
Commercial			
Payment Modification Only	3	$ 19,378	$ 19,378
Commercial Real Estate			
Payment Modification Only	5	1,914,093	1,914,093
Consumer			
Payment Modification Only	1	20,750	20,750
Rate Reduction, Payment Modification			
Residential Real Estate			
Forbearance of Interest	1		
Payment Modification Only	1	$ 173,528	$ 173,528
Agriculture			
Forbearance of Interest	0	-	-
Other	0	-	-
	1	$ 173,528	$ 173,528

The TDRs described above increased the allowance for loan losses of $-0- and $34,928 during the years ended December 31, 2022 and 2021, respectively. The above TDRs resulted in no charge offs during the years ended December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, the Company reported $665,580 and $878,689 loans modified as troubled debt restructurings, respectively, for which there was a payment default within the twelve months following the modification.

(3) Loans (Continued)

Allowance for Loan Losses

The allowance for loan losses represents a reserve for inherent losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated periodically based on a review of all significant loans, with a particular emphasis on nonaccruing, past due and other loans that management believes might be potentially impaired or warrant additional attention. The Company segregates the loan portfolio by type of loan and utilizes this segregation in evaluating exposure to risks within the portfolio. In addition, based on internal reviews and external reviews performed by independent auditors and regulatory authorities, the Company further segregates the loan portfolio by loan grades based on an assessment of risk for a particular loan or group of loans. Certain reviewed loans are assigned specific allowances when a review of relevant data determines that a general allocation is not sufficient or when the review affords management the opportunity to fine tune the amount of exposure in a given credit. In establishing allowances, management considers historical loan loss experience but adjusts this data with a significant emphasis on data such as current loan quality trends, current economic conditions, and other factors in the markets where the Company operates. Factors considered include, among others, current valuations of real estate in their markets, unemployment rates, the effect of weather conditions on agricultural related entities and other significant local economic events.

The Company has developed a methodology for determining the adequacy of the allowance for loan losses which is monitored by the Company's Senior Credit Officer. Loans are segregated by loan type and historical loss rates for each type are used to estimate a general reserve percentage for loans that are not considered impaired and assigned specific reserves. Procedures provide for the assignment of a risk rating for every loan included in the total loan portfolio. The risk rating schedule provides seven ratings of which four ratings are classified as pass ratings and three ratings are classified as criticized ratings. Loans classified as substandard or below are reviewed on a quarterly basis by management for potential impairment. As a result of these evaluations, loans deemed impaired may be assigned specific reserve allocations and excluded from general reserve pools. Past due loans are assigned risk ratings based on the number of days past due. The calculation of the allowance for loan losses, including underlying data and assumptions, is reviewed regularly by executive management and the board of directors.

(3) Loans (Continued)

Allowance for Loan Losses (Continued)

The following tables detail activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2022 and 2021. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	2022						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Allowance for Credit Losses							
Beginning Balance	$ 3,694,303	$ 5,755,938	$ 544,306	$ 1,398,873	$ 601,994	$ 13,002	$ 12,008,416
Chargeoffs	(3,579,749)	-	(294,367)	(42,728)	-	-	(3,916,844)
Recoveries	217,685	-	130,762	89,236	-	-	437,683
Provisons	2,593,647	1,677,917	(4,307)	816,083	17,869	(1,209)	5,100,000
Ending Balance	$ 2,925,886	$ 7,433,855	$ 376,394	$ 2,261,464	$ 619,863	$ 11,793	$ 13,629,255
Period-End Amount Allocated to							
Individually Evaluated for Impairment	$ 2,341	$ 405,466	$ -	$ 99,174	$ -	$ -	$ 506,981
Collectively Evaluated for Impairment	2,923,545	7,028,389	376,394	2,162,290	619,863	11,793	13,122,274
Ending Balance	$ 2,925,886	$ 7,433,855	$ 376,394	$ 2,261,464	$ 619,863	$ 11,793	$ 13,629,255
Loans							
Individually Evaluated for Impairment	$ 254,393	$ 5,440,480	$ -	$ 1,300,369	$ 202,370	$ -	$ 7,197,612
Collectively Evaluated for Impairment	90,463,669	618,666,749	20,943,524	263,178,337	48,546,280	1,821,098	1,043,619,657
Ending Balance	$ 90,718,062	$624,107,229	$20,943,524	$264,478,706	$48,748,650	$ 1,821,098	1,050,817,269
Loans Held for Sale							1,939,500
Overdraft, In-Process and Suspense Accounts							(868,480)
Total Loans							$ 1,051,888,289

(3) Loans (Continued)

Allowance for Loan Losses (Continued)

	2021						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Agriculture	Other	Total
Allowance for Credit Losses							
Beginning Balance	$ 2,803,273	$ 5,781,804	$ 520,152	$ 1,247,091	$ 414,545	$ 14,569	$ 10,781,434
Chargeoffs	(105,161)	(395,640)	(334,195)	(170,383)	-	-	(1,005,379)
Recoveries	60,521	4,098	143,350	24,392	-	-	232,361
Provisons	935,670	365,676	214,999	297,773	187,449	(1,567)	2,000,000
Ending Balance	$ 3,694,303	$ 5,755,938	$ 544,306	$ 1,398,873	$ 601,994	$ 13,002	$ 12,008,416
Period-End Amount Allocated to							
Individually Evaluated for Impairment	$ 4,238	$ 43,827	$ -	$ 16,660	$ -	$ -	$ 64,725
Collectively Evaluated for Impairment	3,690,065	5,712,111	544,306	1,382,213	601,994	13,002	11,943,691
Ending Balance	$ 3,694,303	$ 5,755,938	$ 544,306	$ 1,398,873	$ 601,994	$ 13,002	$ 12,008,416
Loans							
Individually Evaluated for Impairment	$ 123,174	$ 5,644,968	$ -	$ 523,075	$ 207,490	$ -	$ 6,498,707
Collectively Evaluated for Impairment	111,367,283	502,237,127	21,941,161	229,122,980	50,222,350	1,901,234	916,792,135
Ending Balance	$ 111,490,457	$ 507,882,095	$ 21,941,161	$ 229,646,055	$ 50,429,840	$ 1,901,234	923,290,842
Loans Held for Sale							2,640,063
Overdraft, In-Process and Suspense Accounts							295,230
Total Loans							$ 926,226,135

(3) Loans (Continued)

Allowance for Loan Losses (Continued)

Risk characteristics relevant to each portfolio segment are as follows:

Commercial Loans - Loans in this segment are generally made to businesses and are typically secured by business assets, equipment, inventory, and accounts receivable. Repayment is expected from the cash flows of the business entity. A weakened economy and decreased consumer spending will have a negative impact on the credit quality in this portfolio segment.

Commercial Real Estate Loans - Loans in this segment include all mortgages and other liens on commercial real estate. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn will have an effect on the credit quality in this portfolio segment.

Consumer Loans - Loans in this segment include unsecured loans, cash value loans and auto loans. Loans in these categories are primarily dependent on the credit quality of the borrower. The overall health of the economy, including unemployment rates in the Bank's market area will have an effect on the credit quality of this portfolio segment.

Residential Real Estate Loans - Loans in this segment include all mortgages and other liens on residential real estate, as well as vacant land designated as residential real estate. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality of this portfolio segment.

Agriculture loans - Loans in this segment include loans to finance agricultural production and other loans to farmers. The overall health of the economy will have an effect on the credit quality of this portfolio segment.

Other loans - Loans in this segment do not belong in the other categories previously described. Loans in this segment are dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates will have an effect on the credit quality of the segment.

(4) Bank Premises and Equipment

Premises and equipment as of December 31 are summarized as follows:

	2022	2021
Land	**$ 3,408,936**	$ 3,556,936
Buildings and Improvements	**12,741,751**	13,277,551
Leasehold Improvements	**697,812**	665,336
Equipment, Furniture and Fixtures	**5,425,121**	5,444,902
Vehicles	**169,838**	121,636
Total	**22,443,458**	23,066,361
Less: Accumulated Depreciation	**(8,577,516)**	(8,127,770)
Bank Premises and Equipment, Net	**$13,865,942**	$14,938,591

Depreciation included in operating expenses amounted to $915,340, $946,891, and $924,175 for the years ended December 31, 2022, 2021 and 2020, respectively.

(5) Leases

The Company has entered into operating leases for branch locations, storage, and equipment with terms extending through July 2027. These leases have initial terms of one to five years. The exercise of lease renewal options is at the sole discretion of the Company, which does not consider exercise of any lease renewal options reasonably certain. The lease agreements do not contain early termination options. No renewal options or early termination options have been included in the calculation of the operating right-of-use asset or operating lease liability.

At the commencement date of the lease, the Company recognizes a lease liability of the lease payments not yet paid. The Company also recognizes a right-of-use asset measured at the initial measurement of the lease liability. Lease expense is recognized on a straight-line basis over the lease term. At December 31, 2022, the Company had no leases classified as finance leases. The Company's right-of-use lease asset and lease liability also include leases for storage space and small equipment. Estimated minimum lease payments as of December 31, 2022, for each of the next five years are as follows:

2023	$	439,318
2024		369,927
2025		311,177
2026		306,377
2027 and After		102,763
	$	1,529,562

The weighted average remaining lease term was 38 months as of December 31, 2022. The Company recognized lease expenses of $427,656, $354,391 and $277,171 for the years ended December 31, 2022, 2021, and 2020, respectively.

(6) Goodwill and Intangible Assets

The Company recorded $7,123,814 of goodwill on the acquisition of FMB Equibanc, Inc. (FMB) during 2019. Previously, the Company reported goodwill in the amount of $2,237,890 which resulted in total reported goodwill of $9,361,704 for the years ended December 31, 2022 and 2021. Impairment exists when a reporting unit's carrying value of goodwill exceeds its fair value. At December 31, 2022, the Company's management determined the reporting unit had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the reporting unit exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the reporting unit exceeded it carrying value, resulting in no impairment.

The Bank recorded a core deposit intangible asset of $3,028,582 associated with the acquisition of FMB during 2019. The amortization period used for the core deposit intangible is 10 years. The intangible asset's carrying amount, accumulated amortization and amortization expense for December 31, 2022, and the five succeeding years are as follows:

	2022	2023	2024	2025	2026	2027
Amortizing Intangible Assets						
Core Deposit Premium						
Gross Carrying Amount	**$ 3,028,582**	$ 3,028,582	$ 3,028,582	$ 3,028,582	$ 3,028,582	$ 3,028,582
Accumulated Amortization	**(1,110,472)**	(1,413,328)	(1,716,184)	(2,019,040)	(2,321,896)	(2,624,752)
Net Carrying Value	**$ 1,918,110**	$ 1,615,254	$ 1,312,398	$ 1,009,542	$ 706,686	$ 403,830
Amortizing Expense	**$ 302,856**	$ 302,856	$ 302,856	$ 302,856	$ 302,856	$ 302,856

(6) Goodwill and Intangible Assets (Continued)

The Bank recorded a core deposit intangible asset of $455,782 associated with the branch purchase from CertusBank during 2015. The amortization period used for the core deposit intangible is 10 years. The intangible asset's carrying amount, accumulated amortization and amortization expense for December 31, 2022 and the five succeeding years are as follows:

	2022	2023	2024	2025	2026	2027
Amortizing Intangible Assets						
Core Deposit Premium						
Gross Carrying Amount	**$ 455,782**	$ 455,782	$ 455,782	$ 455,782	$ 455,782	$ 455,782
Accumulated Amortization	**(350,352)**	(391,047)	(429,216)	(455,782)	(455,782)	(455,782)
Net Carrying Value	**$ 105,430**	$ 64,735	$ 26,566	$ -	$ -	$ -
Amortizing Expense	$ 42,994	$ 4,065	$ 38,169	$ 26,566	$ -	$ -

(7) Other Real Estate and Foreclosed Assets

At December 31, 2022 and 2021, the Bank reported $3,715,202 and $5,332,096, respectively, as other real estate and foreclosed assets. The balance at December 31, 2022 and 2021, is net of a valuation allowance of $-0- and $165,000, respectively. At December 31, 2022 and 2021, the balance of foreclosed real estate included $-0- and $29,419, respectively of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2022, the Bank had no consumer mortgage loans secured by residential real estate for which formal foreclosure procedures were in process.

(8) Cash Surrender Value of Life Insurance

The Bank has established a BOLI program under which single-premium, split-dollar, whole-life insurance contracts are purchased on certain eligible officers. Initial investments in the policies are nondeductible for income tax purposes and the related investment income and death benefits are nontaxable when received. Death benefits are divided among the Bank and beneficiaries designated by the insured officer. The cash surrender value of these policies was $14,333,544 and $13,977,951 at December 31, 2022 and 2021, respectively. Income earned on the cash surrender value of these policies was $355,593, $357,508 and $372,059 for the years ended December 31, 2022, 2021 and 2020, respectively.

(9) Deposits

The aggregate amount of time deposits that meet or exceed $250,000 at December 31, 2022 and 2021 was $41,326,553 and $44,515,884, respectively. At December 31, 2022, the scheduled maturities of time deposits are as follows:

2023	$ 115,418,827
2024	23,341,855
2025	9,463,926
2026	977,765
2027	2,297,944
Total Time Deposits	$ 151,500,317

(10) Short-Term Borrowings

The Bank had five lines of credit for federal funds purchased totaling $51,500,000 and one line of credit for repurchase transactions and reverse repurchase transactions in the amount of $10,000,000 with correspondent institutions as of December 31, 2022. At December 31, 2022 and 2021, there were no outstanding balances on these lines of credit.

(11) Subordinated Debentures

On April 30, 2019, the Company acquired FMB by merger. In connection with such transaction, the Company assumed the obligations of FMB related to its prior issuance of trust preferred securities. In 2005, FMB's statutory trust subsidiary, FMB 2005 Capital Trust I, issued $4,000,000 in principal amount of trust preferred securities at a rate per annum equal to the 3-month LIBOR plus 1.57 percent through a pool sponsored by a national brokerage firm. These trust preferred securities have a maturity of 30 years and are redeemable at the Company's option on any quarterly interest payment date.

On April 15, 2019, the Company completed the sale of $10,000,000 in aggregate principal amount of its 6.25 percent Fixed-To-Floating Rate Subordinated Notes due 2029 (the 2029 subordinated notes). The 2029 subordinated notes will mature on April 15, 2029, and through April 14, 2024, will bear a fixed rate of interest of 6.25 percent per annum, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. Beginning December 15, 2024, the interest rate on the 2029 subordinated notes resets quarterly to a floating rate per annum equal to the then-current 3-month LIBOR plus 4.08 percent, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year to the maturity date or earlier redemption. On any scheduled interest payment date beginning April 15, 2024, the Company may, at its option, redeem the 2029 subordinated notes, in whole or in part, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest.

On July 22, 2020, the Company completed the sale of $15,000,000 in aggregate principal amount of its 5.25 percent Fixed-To-Floating Rate Subordinated Notes due 2030 (the 2030 subordinated notes). The 2030 subordinated notes will mature on July 22, 2030, and through July 22, 2025 will bear a fixed rate of interest of 5.25 percent per annum, payable semiannually in arrears on June 30 and December 31 of each year. Beginning July 22, 2025, the interest rate on the 2030 subordinated notes resets quarterly to a floating rate per annum equal to the then-current LIBOR plus 4.92 percent, payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year to the maturity date or earlier redemption. On any scheduled interest payment date beginning July 22, 2025, the Company may, at its option, redeem the 2030 subordinated notes, in whole or in part, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest.

(12) Long-Term Borrowings

The Bank became a member of the Federal Home Loan Bank (FHLB) of Atlanta during 1998 establishing a Credit Availability of $15,000,000. This agreement was modified in 2008 to increase credit availability to 20 percent of total assets. Amounts advanced against this line of credit were $20,000,000 and $-0- at December 31, 2022 and 2021, respectively. In the event the Bank requests future advances, the Bank has pledged loans with a carrying value of $172,021,803 and $115,873,358 at December 31, 2022 and 2021, respectively.

(12) Long-Term Borrowings (Continued)

As of December 31, 2022 and 2021, letters of credit issued by the FHLB totaling $25,000,000 and $41,000,000, respectively, were used to guarantee the Bank's performance related to a portion of its public fund deposit balances. The collateral discussed above is also pledged to secure the letters of credit.

Based on the pledged collateral and the Bank's holdings of FHLB stock, the Bank is eligible to borrow up to a total of $127,729,125.

(13) Income Taxes and Change In Tax Status

The provision for income taxes for the years ended December 31 are as follows:

	2022	2021	2020
Current Tax Expense	**$ 1,309,199**	$ 2,229,040	$ 4,687,019
Deferred Tax Benefit	**(402,680)**	(1,051,467)	(88,067)
Change in Valuation Allowance	**104,421**	1,086,313	(743,146)
Net Provision for Income Taxes	**$ 1,010,940**	$ 2,263,886	$ 3,855,806

Deferred income taxes are reflected for certain timing differences between book and taxable income and will be reduced in future years as these timing differences reverse. The reasons for the difference between the actual tax expense and tax computed at the federal income tax rate are as follows as of December 31:

	2022	2021	2020
Tax on Pretax Income at Statutory Rate	**$ 4,645,110**	$ 5,507,916	$ 4,464,938
Change Resulting from			
Tax Exempt Interest Income	**(360,656)**	(494,965)	(216,581)
State Income Taxes, Net of Federal Tax Benefit	**203,631**	694,319	451,881
Investment Tax Credits	**(3,405,909)**	(2,400,000)	-
Life Insurance Income	**(74,675)**	(75,077)	(78,132)
Other	**3,439**	(968,307)	(766,300)
Total	**$ 1,010,940**	$ 2,263,886	$ 3,855,806
Net Effective Tax Rate	**4.57%**	8.63%	18.13%

(13) Income Taxes and Change In Tax Status (Continued)

The sources and tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows as of December 31:

	2022	2021
Deferred Income Tax Assets		
Net Operating Loss Carryover	**$ 2,677,027**	$ 2,858,815
Provision for Loan Losses	**3,645,826**	3,212,251
Deferred Compensation	**237,017**	190,951
Deferred Loan Fees	**96,788**	80,683
Core Deposit	**133,807**	103,430
Other Real Estate	**785,139**	798,535
Other	**3,900**	3,902
Total Deferred Tax Assets	**7,579,504**	7,248,567
Less: Valuation Allowance	**(2,677,027)**	(2,572,606)
Net Deferred Tax Assets	**4,902,477**	4,675,961
Deferred Income Tax Liabilities		
Unrealized Gains on Securities Available for Sale	**(693,289)**	(761,358)
Depreciation	**(763,594)**	(835,337)
Total Deferred Tax Liabilities	**(1,456,883)**	(1,596,695)
Net Deferred Tax Asset	**$ 3,445,594**	$ 3,079,266

Realization of deferred tax assets associated with net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at year-end 2022.

At December 31, 2022, the Company had federal net operating loss carryforwards of approximately $9,200,000 which expire at various dates from 2031 to 2039. The Company also had state operating loss carryforwards of approximately $12,800,000 which expire at various dates from 2030 to 2039. Deferred tax assets are recognized for net operating losses because the benefit is more likely than not to be realized.

The Company and its subsidiaries are subject to U.S. federal income tax as well as tax of the state of Georgia. The Company is subject to examination by taxing authorities for years ended December 31, 2020, and thereafter.

(14) Employee Benefit Plans

401(k) Plan

The Company adopted a 401(k) plan in 1996 and made contributions to the plan totaling $446,133, $420,375, and $387,023 for the years ended December 31, 2022, 2021, and 2020, respectively.

Employee Stock Ownership Plan and Trust

The Bank established Morris Bank Employee Stock Ownership Plan and Trust (the Plan) effective as of January 1, 2012. The Plan covers substantially all of its full-time employees meeting length of service requirements. Under the Plan, shares of stock in the Company are purchased on behalf of eligible employees. Contributions are made to the plan at management's discretions based on a percentage of salary, not to exceed 16 percent or $17,000. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The fair value of shares under the Plan are valued based upon an independent appraisal. As of December 31, 2022, the Plan owned 170,462 shares of stock. The amount of pension expense charged to operations for the years ended December 31, 2022, 2021 and 2020 were $272,232, $149,475, and $257,435, respectively.

Shares held by the Plan were as follows as of December 31:

	2022	2021
Shares Held by the Plan were as Follows		
Allocated to Participants	**170,462**	167,187
Unearned	**-**	-
Total KSOP Shares	**170,462**	167,187
Fair Value of Unearned Shares	$ -	$ -

Stock Grant Plans

The Company initiated a Stock Grant Plan (Plan 1) on February 1, 2017, in which 6,000 shares of granted stock has a three-year vesting period. The fair value of each grant under Plan 1 was estimated on the date of grant using the same valuation model used for shares granted under the Plan. Under Plan 1, there were no stock grants outstanding as of December 31, 2022. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The Company recognized no expense for the portion of the stock value vested in the years ended December 31, 2022, 2021, and 2020. As of December 31, 2022, there was no unrecognized cost remaining related to nonvested shares granted under Plan 1.

The Company initiated a Stock Grant Plan (Plan 2) on September 25, 2019, in which 26,910 shares of granted stock has a three-year vesting period. The fair value of each grant under Plan 2 was estimated on the date of grant using the same valuation model used for shares granted under the Plan. The remaining term for shares granted under Plan 2 was one year as of December 31, 2022. Under Plan 2, there were no stock grants outstanding as of December 31, 2022. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The Company recognized $292,025, $291,637 and $290,618 in expense for the portion of the stock value vested in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was no unrecognized cost related to nonvested shares granted under Plan 2.

(14) Employee Benefit Plans (Continued)

Stock Grant Plans (Continued)

The Company initiated a Stock Grant Plan (Plan 3) on September 25, 2019, in which 16,364 shares of granted stock has a 5.22-year vesting period. The fair value of each grant under Plan 3 was estimated on the date of grant using the same valuation model used for shares granted under the Plan. The term for shares granted under Plan 3 was two years as of December 31, 2022. Under Plan 3, there were 4,058 stock grants outstanding as of December 31, 2022. Dividend income is accrued on the ex-dividend date and allocated based on the individual ownership percentage of the participants. The Company recognized $118,665, $118,253 and $118,015 in expense for the portion of the stock value vested in 2022, 2021 and 2020, respectively. As of December 31, 2022, there was $237,260 of total unrecognized cost related to nonvested shares granted under Plan 3; that cost is expected to be recognized over a period of two years.

Deferred Compensation Plan

In 2014, the Bank commenced a salary continuation plan covering seven executive officers through individual contracts. Under this plan, the Bank is committed to pay the individuals an annual benefit as defined in each individual contract. The officers vest zero percent during the first five years of service and 100 percent after five years of service. The benefit will be paid over a period of 15 years beginning at age 60 for one officer and 65 for the other officers.

In 2019, the Bank commenced another salary continuation plan covering four executive officers. Under this plan, the Bank is committed to pay the individuals an annual benefit as defined in the individual contract over a period of 15 years beginning at age 60 for two officers and age 65 for the other two officers. The officers vest zero percent during the first year of service and 100 percent after the first year of service.

The liability accrued under these plans totaled $886,046, and $713,836 as of December 31, 2022 and 2021, respectively. Expense charged to operations totaled $172,710, $150,509 and $161,624 for the years ended December 31, 2022, 2021 and 2030, respectively. No benefits were paid as of December 31, 2022 and 2021.

Equity Incentive Plans

In September 2018, the Bank granted 22,550 equity incentive units (EIUs) to certain employees under the Morris Bank 2018 Equity Incentive Unit Plan (the 2018 EIU Plan). The 2018 EIU Plan permits the grant of equity incentive units to employees of the Bank to promote the long-term financial interests of the Bank including its growth and performance. A EIU granted under the 2018 EIU Plan entitles the recipient to receive cash in an amount equal to the excess of the per unit book value on the payment date, which shall be determined by the compensation committee of the board of directors, over the base value of the EIU. The payment date is defined as the earlier of (a) the last day of the third fiscal year of the Bank following the fiscal year in which the grant date occurred; (b) the last day of the fiscal year following the employee’s death; or (c) the effective date of a change in control.

In October 2019, the Company granted 18,000 stock appreciation rights (SARs) to certain individuals under the Morris State Bancshares, Inc. 2019 Equity Incentive Plan. The SARs granted vest over six years. Once vested, the portion of the SARs that became vested may be exercised and will be converted to the right to receive a cash payment from the Company in an amount equal to the positive difference between the fair market value of the Company’s common stock as of the exercise date and the initial value of the SAR.

(14) Employee Benefit Plans (Continued)

Equity Incentive Plans (Continued)

The following table details activity in the equity incentive plans for the years ended December 31:

	2022	2021	2020
Shares Outstanding at January 1	**$ 40,550**	$ 40,550	$ 40,550
Granted	**-**	-	-
Exercised	**(25,550)**	-	-
Shares Outstanding at December 31	**$ 15,000**	$ 40,550	$ 40,550
Liability at December 31	**$ 466,523**	$ 946,141	$ 485,696
Compensation Expense for the Years Ended December 31	**$ 257,648**	$ 460,445	$ 231,428

The initial value for the stock appreciation rights granted in 2019 was $43.35 per SAR. The base value for the equity incentive units granted in 2018 was $37.67.

Restricted Stock Units

The Company grants restricted stock units (RSUs) to select senior officers across the Company under the Morris State Bancshares, Inc. 2019 Equity Incentive Plan. Forty percent of the RSUs vest over a three-year time period. The remaining sixty percent of the RSUs are performance vested awards that vest based on a combination of continued service and corporate performance results.

	Number of Shares	Weighted-Average Measurement Date Fair Value
Shares Outstanding at December 31, 2020	**-**	$ -
Granted	**4,899**	79.00
Exercised	**-**	-
Shares Outstanding at December 31, 2021	**4,899**	79.00
Granted	**5,889**	82.65
Canceled	**-**	79.00
Shares Outstanding at December 31, 2022	**10,788**	$ 81.48

The Company recognized $250,116, $82,026 and $-0- of compensation expense related to the RSUs at December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, there was $543,362 of total unrecognized cost related to nonvested RSUs. The unrecognized cost is expected to be recognized through 2025.

14) Employee Benefit Plans (Continued)

Endorsement Split Dollar Arrangement

On February 3, 2021, the Bank entered into an endorsement split dollar arrangement with six of its officers. This plan is intended to be an employee welfare benefit plan as defined in ERISA; which is intended to provide death benefits solely to a select group of management. The Bank is the owner of the life insurance contracts. The officers are not entitled to any of the cash value and have no rights except to name a beneficiary for a portion of the death proceeds. Death benefits for five of the officers are $75,000 each. The death benefit for one of the officers is $425,000.

(15) Limitation on Dividends

The board of directors of any state-chartered bank in Georgia may declare and pay cash dividends on its outstanding capital stock without any request for approval of the Bank's regulatory agency if the following conditions are met:

- Total adversely classified assets at the most recent examination of the Bank do not exceed 80 percent of Tier 1 Capital plus the allowance for loan losses as reflected at such examination,
- The aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50 percent of the net income that is attributable to the Bank, for the previous calendar year; and
- The ratio of Tier 1 Capital to Average Total Assets shall not be less than six percent.

As of December 31, 2022, the amount available for distribution as dividends in the subsequent year without regulatory consent was $11,810,928.

(16) Commitments and Contingencies

Credit-Related Financial Instruments

The Bank 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 include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in those particular financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Bank does require collateral or other security to support financial instruments with credit risk as follows as of December 31:

	2022	2021
Financial Instruments Whose Contract Amount Represent Credit Risk		
Commitments to Extend Credit	**$216,863,199**	$181,864,940
Standby Letters of Credit	**1,870,011**	1,524,796
Total	**$218,733,210**	$183,389,736

(16) Commitments and Contingencies (Continued)

Credit-Related Financial Instruments (Continued)

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. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. 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. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment and income-producing commercial properties.

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, including commercial paper, bond financing and similar transactions. All letters of credit are due within one year of the original commitment date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

(17) Related Party Transactions

In the ordinary course of business, the Company, through the Bank, has direct and indirect loans outstanding to or for the benefit of certain executive officers and directors. These loans were made on substantially the same terms as those prevailing, at the time made, for comparable loans to other persons and did not involve more than the normal risk of collectability or present other unfavorable features. The following is a summary of activity during the years ended December 31with respect to such loans to these individuals:

	2022	2021
Balances, Beginning	**$ 19,126,133**	$ 18,739,134
New loans	**7,888,999**	7,034,204
Repayments	**(7,989,433)**	(6,647,205)
Balances, Ending	**$ 19,025,699**	$ 19,126,133

The Bank also had deposits from these related parties of approximately $29,739,293 and $29,605,382 at December 31, 2022 and 2021, respectively.

The Bank leases office space for its Warner Robins branch from Red Thunder Properties, LLC, of which a member of the Bank's board of directors is the managing member. On December 19, 2016, the organizers of Morris Bank entered into a lease agreement for office space located in Warner Robins, Georgia. This lease agreement includes a period of five years beginning December 16, 2016 and ending December 31, 2021. The Bank will have a total of three, five-year options to extend the original lease term for an aggregate term of 20 years. On January 1, 2022, the Bank elected to renew the lease for another five-year period. Monthly lease payments for the second five-year period were established at $9,535, after which time, monthly lease payments may increase by no more than 10 percent of the price of the previous lease term.

(18) Fair Values of Financial Instruments

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair value is based on discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The accounting standard for disclosures about the fair value of financial instruments excludes financial instruments not recorded at fair value and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The fair value hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon 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 for substantially the full term of the assets or liabilities.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities.

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value:

Investment Securities Available for Sale

The fair value of securities available for sale is determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and municipal bonds. The Level 2 fair value pricing is provided by an independent third-party and is based upon similar securities in an active market. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain residual municipal securities and other less liquid securities.

Loans

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, except that as a practical expedient, a creditor may measure impairment based on a loan's observable market price, or the fair value of the collateral if repayment of the loan is dependent upon the sale of the underlying collateral. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy.

(18) Fair Values of Financial Instruments (Continued)

Loans (Continued)

When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired 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 impaired loan as nonrecurring Level 3.

Other Real Estate and Foreclosed Assets

Other real estate and foreclosed assets are adjusted to fair value, less cost to sell, upon transfer of the loans to other real estate and foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the other real estate and foreclosed asset 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 other real estate and foreclosed asset as nonrecurring Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis as of December 31, aggregated by the level in the fair value hierarchy within which those measurements fall.

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Investment Debt Securities Available for Sale				
U.S. Government Agencies	$ -	$ 508,094	$ -	$ 508,094
U.S. Treasury Securities	-	13,693,945	-	13,693,945
State, County and Municipal Securities	4,512,215	129,150,456	-	133,662,671
Other Debt Securities	-	8,098,912	1,000,000	9,098,912
Residential Mortgage Backed Securities	-	16,533,209	-	16,533,209
Commercial Mortgage Backed Securities	4,012,500	36,346,155	31,123,548	71,482,203
Total Investment Securities	$ 8,524,715	$ 204,330,771	$ 32,123,548	$ 244,979,034

(18) Fair Values of Financial Instruments (Continued)

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets 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. The table below presents the Company's assets and liabilities measured at fair value on a nonrecurring basis as of December 31, aggregated by the level in the fair value hierarchy within which those measurements fall.

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Impaired Loans	**$ -**	**$ -**	**$ 6,690,631**	**$ 6,690,631**
Other Real Estate and Foreclosed Assets	**-**	**-**	**3,715,202**	**3,715,202**
	$ -	**$ -**	**$ 10,405,833**	**$10,405,833**
	2021			
Impaired Loans	$ -	$ -	$ 6,433,982	$ 6,433,982
Other Real Estate and Foreclosed Assets	-	-	5,332,096	5,332,096
	$ -	$ -	$ 11,766,078	$ 11,766,078

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31.

	Total	Commercial Mortgage Backed Securities	Other Debt Securities
Balance - December 31, 2021	$ 32,123,548	$ 31,123,548	$ 1,000,000
Transfers to Held to Maturity	(32,123,548)	(31,123,548)	(1,000,000)
Balance - December 31, 2022	$ -	$ -	$ -
Change in Unrealized Gains (Losses) Included in Net Income for the Year For Assets Held as of December 31, 2022	$ -	$ -	$ -

(18) Fair Values of Financial Instruments (Continued)

Assets Recorded at Fair Value on a Nonrecurring Basis (Continued)

	Total	Commercial Mortgage Backed Securities	Other Debt Securities
Balance - December 31, 2020	$ 7,385,302	$ 7,385,302	$ -
Transfers Into Level 3	4,409,770	3,909,770	500,000
Transfers Out of Level 3	-		
Total Net Losses Included in	-	-	-
Net Income	(93,525)	(93,525)	-
Other Comprehensive Income	1,472	1,472	-
Transactions During the Period	-	-	-
Purchases	20,484,476	19,984,476	500,000
Sales and Calls	-	-	-
Settlements	(63,947)	(63,947)	-
Balance - December 31, 2021	$ 32,123,548	$ 31,123,548	$ 1,000,000
Change in Unrealized Gains (Losses) Included in Net Income for the Year For Assets Held as of December 31, 2021	$ -	$ -	$ -

(18) Fair Values of Financial Instruments (Continued)

The following table shows significant unobservable inputs used in the fair value measurement of Level 3 assets and liabilities as of December 31:

Measurements	**Fair Value at 2022**	**Valuation Technique**	**Unobservable Inputs**	**Range**
Nonrecurring				
Impaired Loans	**$ 6,690,631**	Third party appraisals, discounted cash flows, and loan pricing	Collateral discounts, estimated selling expenses, and discount rates	**0.00 -100**
Other Real Estate and Foreclosed Assets	**3,715,202**	Third party appraisals	Collateral discounts, estimated selling expenses, and discount rates	**10.00 -39.09**

Measurements	Fair Value at 2021	Valuation Technique	Unobservable Inputs	Range
Recurring				
Commercial Mortgage Backed Securities	$ 31,123,548	Third party book price	Credit quality of issuer	0.00%
Other Debt Securities	1,000,000	Third party book price	Credit quality of issuer	0.00%
Nonrecurring				
Impaired Loans	6,433,982	Third party appraisals, discounted cash flows, and loan pricing	Collateral discounts, estimated selling expenses, and discount rates	0.00-100
Other Real Estate and Foreclosed Assets	5,332,096	Third party appraisals	Collateral discounts, estimated selling expenses, and discount rates	10.00-39.09

(19) Credit Risk Concentration

The Bank grants agribusiness, commercial and residential loans to customers. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the area's economic stability. The primary trade area for the Bank is generally that area within fifty miles in each direction.

The distribution of commitments to extend credit approximates the distribution of loans outstanding. Commercial and standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit in excess of the legal lending limit to any single borrower or group of related borrowers.

(19) Credit Risk Concentration (Continued)

The Company's bank subsidiary maintains its cash at several financial institutions located in the Southeast. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and permanently raised the FDIC coverage limit to $250,000. The Company had uninsured balances of $10,850,457 as of December 31, 2022.

The Company maintains a cash balance in an account held with the Federal Home Loan Bank (FHLB). The FHLB is not a financial institution, and as a result, funds held are not subject to FDIC coverage. As of December 31, 2022, the Company had an outstanding balance of $1,004,061 with the FHLB, which is entirely uninsured.

The Company also maintains an account with the Federal Reserve Bank of Atlanta. Although funds held by this institution are not insured with the FDIC, funds are backed by the full faith and credit of the United States Government. As of December 31, 2022, the Company had an outstanding balance of $21,723,687 with the Federal Reserve Bank, which is backed by the full faith and credit of the United States Government.

Pandemics, natural disasters such as extreme weather conditions, hurricanes, floods, and other acts of nature, and geopolitical events involving civil unrest, changes in government regimes, terrorism, or military conflict could adversely affect our business operations and those of our customers and have significant negative impacts upon economic conditions and cause substantial damage and loss to real and personal property. These pandemics, natural disasters and geopolitical events could impair our borrowers' ability to service their loans, decrease the level and duration of deposits by customers, erode the value of loan collateral, and result in an increase in the amount of our nonperforming loans and a higher level of nonperforming assets (including real estate owned), net charge-offs, and provision for loan losses, and could materially and adversely affect our business, financial condition, results of operations, and the value of our common stock.

(20) Operating Income and Expenses

Components of other operating expenses greater than one percent of total interest income and other income for the years ended December 31, are as follows:

	2022	2021	2020
Data Processing	**$ 3,640,803**	$ 3,223,252	$ 2,749,847
Legal and Accounting Fees	**995,245**	799,590	604,665
Business Development	**838,834**	711,319	801,124

There were no components of other operating income greater than one percent of total interest income and other income for the years ended December 31, 2022, 2021 and 2020.

(21) Regulatory Matters

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 Bank's 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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amount and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015, with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in as of January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer was phased in at a rate of 0.625 percent per year from 0.0 percent in 2015 to 2.50 percent on January 1, 2019. The Company and its bank subsidiaries have elected to exclude the net unrealized gain or loss on available for sale securities, if any, in computing regulatory capital.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based, Tier I capital and Common Equity Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2022, the Bank meets all capital adequacy requirements to which it is subject. As of December 31, 2022, the most recent notification from regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I risk-based, 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 Bank's category.

The Bank's actual capital amounts and ratios are presented in the following table.

	Actual		For Capital Adequacy		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
As of December 31, 2022						
Total Capital						
to Risk-Weighted Assets	**$ 183,016**	**14.24 %**	**$ 102,818**	**8.00 %**	**$ 128,522**	**10.00 %**
Tier I Capital						
to Risk-Weighted Assets	**169,387**	**13.18**	**77,111**	**6.00**	**102,815**	**8.00**
Common Equity Tier I Capital						
to Risk-Weighted Assets	**169,387**	**13.18**	**57,833**	**4.50**	**83,537**	**6.50**
Tier I Capital						
to Average Assets	**169,387**	**12.18**	**55,628**	**4.00**	**69,535**	**5.00**
As of December 31, 2021						
Total Capital						
to Risk-Weighted Assets	$ 163,927	14.36 %	$ 91,348	8.00 %	$ 114,186	10.00 %
Tier I Capital						
to Risk-Weighted Assets	151,919	13.30	68,511	6.00	91,348	8.00
Common Equity Tier I Capital						
to Risk-Weighted Assets	151,919	13.30	51,383	4.50	74,220	6.50
Tier I Capital						
to Average Assets	151,919	11.08	54,827	4.00	68,534	5.00

(22) Segment Reporting

Reportable segments are strategic business units that offer different products and services. Reportable segments are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Company and its subsidiaries do not have any separately reportable operating segments. The entire operations of the Company are managed as one operation.

(23) Subsequent Events

The Company performed an evaluation of subsequent events through March 17, 2023, the date upon which the Company's financial statements were available to issue.

(24) Condensed Financial Statements (Parent Company Only)

Condensed parent company financial information on Morris State Bancshares, Inc. at December 31, is as follows:

Balance Sheets

	2022	2021
Assets		
Cash in Subsidiary	**$ 9,209,828**	$ 5,218,772
Deposits in Other Banks	**-**	2,809,105
Investment in Subsidiaries, at Equity in Underlying Net Assets	**183,686,618**	167,361,315
Goodwill	**388,816**	388,816
Other Assets	**489,188**	1,256,207
Total Assets	**$193,774,450**	$177,034,215
Liabilities		
Notes Payable or Other Borrowed Funds	**$ 28,826,681**	$ 28,752,079
Accrued Expenses	**11,366**	23,194
Total Liabilities	**28,838,047**	28,775,273
Shareholders' Equity		
Common Stock, $1 Par Value, Authorized 10,000,000 Shares, 2,169,557 Issued and 2,112,644 Outstanding in 2022 and 2,159,148 Issued and 2,107,857 Outstanding in 2021	**2,169,557**	2,159,148
Paid-in Capital Surplus	**40,928,731**	40,349,139
Retained Earnings	**121,426,245**	104,039,835
Accumulated Other Comprehensive Income	**2,608,086**	3,404,364
Treasury Stock, at Cost 56,912 Shares in 2022 and 51,291 Shares in 2021	**(2,196,216)**	(1,693,544)
Total Shareholders' Equity	**164,936,403**	148,258,942
Total Liabilities and Shareholders' Equity	**$193,774,450**	$177,034,215

(24) Condensed Financial Statements (Parent Company Only) (Continued)

Statements of Income and Retained Earnings

	Years Ended December 31,		
	2022	2021	2020
Revenues			
Dividend Income	**$ 6,500,000**	$ 6,000,000	$ 2,500,000
Interest Income	**4,137**	8,284	25,489
Other	**-**	57	500
Total Revenues	**6,504,137**	6,008,341	2,525,989
Expenses			
Interest Expense	**1,629,759**	1,563,855	1,091,608
Other	**887,605**	654,441	498,222
Total Expenses	**2,517,364**	2,218,296	1,589,830
Income Before Equity Income of Subsidiary	**3,986,773**	3,790,045	936,159
Equity in Undistributed Income of Subsidiaries	**17,121,857**	20,174,243	16,471,830
Net Income	**21,108,630**	23,964,288	17,407,989
Retained Earnings, Beginning	**104,039,835**	83,266,070	69,537,950
Stock and Cash Dividends	**(3,722,220)**	(3,190,523)	(3,679,869)
Retained Earnings, Ending	**$ 121,426,245**	$ 104,039,835	$ 83,266,070

(24) Condensed Financial Statements (Parent Company Only) (Continued)

Statements of Cash Flows

	Years Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net Income	**$ 21,108,630**	$ 23,964,288	$ 17,407,989
Adjustments to Reconcile Net Income to			
Net Cash Provided (Used) by Operating Activities			
Equity in Undistributed Income of Subsidiary	**(17,121,857)**	(20,174,243)	(16,471,830)
Stock Based Compensation Expense	**116,686**	-	-
Net Change in Operating Assets and Liabilities			
Accrued Income and Other Assets	**675,616**	103,274	409,165
Changes in Accrued Expenses and Other Liabilities	**63,050**	52,854	(359,854)
Net Cash Provided by Operating Activities	**4,842,125**	3,946,173	985,470
Cash Flows from Investing Activities			
Capital Injection to Subsidiaries	**-**	-	(12,000,000)
Cash Flows from Financing Activities			
Proceeds from Borrowed Funds	**-**	-	15,000,000
Repayment of Other Borrowed Funds	**-**	-	(571,429)
Purchase of Treasury Stock	**(502,672)**	(28,347)	(285,565)
Proceeds from Issuance of Common Stock	**564,718**	1,071,457	-
Cash Dividends Paid	**(3,722,220)**	(3,190,523)	(3,679,869)
Net Cash Provided by (Used in) Financing Activities	**(3,660,174)**	(2,147,413)	10,463,137
Net Increase (Decrease) in Cash and Cash Equivalents	**1,181,951**	1,798,760	(551,393)
Cash and Cash Equivalents - Beginning of Year	**8,027,877**	6,229,117	6,780,510
Cash and Cash Equivalents - End of Year	**$ 9,209,828**	$ 8,027,877	$ 6,229,117

The following additional information is related to the Holding Company's cash flows during the periods reported.

	Years Ended December 31,		
	2022	2021	2020
Cash Paid for Interest			
Interest on Borrowings	**$ 1,621,642**	$ 1,562,932	$ 1,131,680
Noncash Items			
Changes in Unrealized Gain (Loss) on Investments	**$ (1,007,947)**	$ (3,768,416)	$ 5,760,658
Stock Grant Forfeitures	**$ (91,403)**	$ -	$ -

(25) Other Comprehensive Income (Loss)

The tax effects allocated to each component of other comprehensive income (loss) for the years ended December 31 are as follows:

	2022		
	Before Tax Amount	**Tax Expense (Benefit)**	**Net of Tax Amount**
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	**$ (76,067)**	**$ (15,974)**	**$ (60,093)**
Reclassification Adjustment for Net Loss Included in Net Income	**326**	**7**	**319**
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	**(932,206)**	**(195,702)**	**(736,504)**
	$ (1,007,947)	**$ (211,669)**	**$ (796,278)**

	2021		
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	$ (3,468,546)	$ (728,426)	$ (2,740,120)
Reclassification Adjustment for Net Gain Included in Net Income	(299,870)	(62,973)	(236,897)
	$ (3,768,416)	$ (791,399)	$ (2,977,017)

	2020		
Securities Available for Sale			
Change in Net Unrealized Gain During the Period	$ 5,806,981	$ 1,219,489	$ 4,587,492
Reclassification Adjustment for Net Loss Included in Net Income	(46,323)	(9,728)	(36,595)
	$ 5,760,658	$ 1,209,761	$ 4,550,897

(26) Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ended December 31 are as follows:

	2022	2021	2020
Beginning Balance	**$ 3,404,364**	$ 6,381,381	$ 1,830,484
Other Comprehensive Income (Loss) Before Reclassification	**(60,093)**	(2,740,120)	4,587,492
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	**319**	(236,897)	(36,595)
Net Change in Unamortized Gains on Available for Sale Transferred into Held to Maturity	**(736,504)**	-	-
Net Current Period Other Comprehensive Income (Loss)	**(796,278)**	(2,977,017)	4,550,897
Ending Balance	**$ 2,608,086**	$ 3,404,364	$ 6,381,381

(27) Revenues from Contracts with Customers

The Company's revenue from contracts with customers within the scope of ASU 2014-09 included in noninterest income (expense) in the consolidated income statement is comprised of the following for the years ended December 31:

	2022	2021	2020
Noninterest Income (Expense)			
Service Charges on Deposits	**$ 2,417,800**	$ 1,983,697	$ 1,951,402
ATM Interchange Fees	**2,115,529**	1,865,114	1,518,858
Net Gains (Losses) on Sales of Other Real Estate	**615,944**	28,877	(67,595)
	$ 5,149,273	$ 3,877,688	$ 3,402,665

A description of the Company's revenue streams accounted for under ASU 2014-09 is as follows:

Service Charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

ATM Interchange Fees: The Company earns interchange fees from cardholder transactions conducted through the Visa/MasterCard or other payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

(27) Revenues from Contracts with Customers (Continued)

Gains/Losses on Sales of Other Real Estate Owned (OREO): The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.