Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Theresa East
Name of the Holding Company Director and Official

President/Director
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and *individual consent to public release of all details in the report concerning that individual.*

Theresa East
Signature of Holding Company Director and Official

04/01/2019
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Community Bancshares, Inc.
Legal Title of Holding Company

507 US Hwy 380
(Mailing Address of the Holding Company) Street / P.O. Box

Bridgeport	TX	76426
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Theresa East	President
Name	Title

940-683-4191
Area Code / Phone Number / Extension

940-683-4491
Area Code / FAX Number

theresa@onlinewithtcb.com
E-mail Address

onlinewithtcb.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes: 0

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

Form FR Y-6

COMMUNITY BANCSHARES, INC.

Bridgeport, Texas

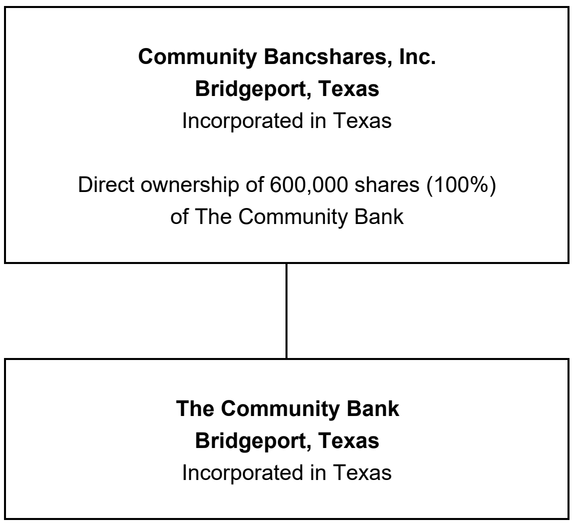
Fiscal Year Ending December 31, 2018

Report Item

1: a. The BHC is not required to file form 10(k) with the SEC.

b. The BHC does prepare an annual report for its shareholders.
Audited financial statements are enclosed.

2. Organizational Chart



None of the above entities have a LEI number.

Results: A list of branches for your depository institution: COMMUNITY BANK, THE (ID_RSSD: 3479018).
This depository institution is held by COMMUNITY BANCSHARES, INC. (3554988) of BRIDGEPORT, TX.
The data are as of 12/31/2018. Data reflects information that was received and processed through 01/06/2019.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	3479018	COMMUNITY BANK, THE	507 US HIGHWAY 380	BRIDGEPORT	TX	76426	WISE	UNITED STATES	Not Required	Not Required	COMMUNITY BANK, THE	3479018	
OK		Full Service	5309539	SPRINGTOWN BRANCH	600 EAST HIGHWAY 199	SPRINGTOWN	TX	76082	PARKER	UNITED STATES	Not Required	Not Required	COMMUNITY BANK, THE	3479018	

FORM FR Y-6
COMMUNITY BANCSHARES, INC.
December 31, 2018

REPORT ITEM 3: SHAREHOLDERS

Current shareholders with ownership, control or holdings of 5% or more
with power to vote as of 12-31-18.

(1)(a) NAME AND ADRESS	(1)(b) CITIZENSHIP	(1)(c) SHARES OWNED,CONTROLLED, OR HELD WITH POWER TO VOTE	
		NUMBER	PERCENT*
Dwayne Garrett Bridgeport, Texas	USA	185,176	21.41%
Kirby Elenburg Bridgeport, Texas	USA	169,912	19.65%
John Crisp Bridgeport, Texas	USA	163,097	18.86%
Ronnie Hess Fort Worth, Texas	USA	124,154	14.36%
Scott Stowers Bridgeport, Texas	USA	113,294	13.10%

(2) Shareholders not listed in 3(1) that had ownership, control or holdings of 5% or more with the power to vote during fiscal year ending 12-31-18.

NONE			

* Total voting shares December 31, 2018 864,847

FORM FR Y-6
COMMUNITY BANCSHARES, INC.
December 31, 2018

REPORT ITEM 4: Directors & Officers

(1) & (2) Name & Address Principal Occupation	Organization	(3)(a)&(3)(b)&(3)(c) Title or Position With	4(a)&4(b)&4(c) Percentage of Voting Shares
Theresa East Decatur, Texas Banker	Community Bancshares, Inc. The Community Bank Other Business:	President/Director President/Director None	2.00% N/A N/A
John Crisp Bridgeport, Texas Steel Company Owner	Community Bancshares, Inc. The Community Bank Other Business: Crisp Industries Bridgeport Steel	Director/Principal Shareholder Director Owner Owner	18.86% N/A 100.00% 100.00%
Scott Allred Azle, Texas Retired Banker	Community Bancshares, Inc. The Community Bank Other Business:	Director Director None	0.18% N/A N/A
Scott Stowers Bridgeport, Texas Surgeon	Community Bancshares, Inc. The Community Bank Other Business:	Director/Principal Shareholder Director None	13.10% N/A N/A
Ronnie Hess Fort Worth, Texas Lumber Company Owner	Community Bancshares, Inc. The Community Bank Other Business: Bridgeport Building Centers Community Lumber Towanike Building Center RHJR R & J Properties Fair Oaks Pinpoint Properties	Director/Principal Shareholder Director Owner Owner Owner Owner Owner Owner Owner	14.36% N/A 50.00% 55.00% 60.00% 50.00% 100.00% 50.00% 33.30%
Mike Richey Bridgeport, Texas Oil Field Construction Company Owner	Community Bancshares, Inc. The Community Bank Other Business: Richey Oil Field Construction Montai, LLC Hard Rock Whitetail V & M Investments	Director Director Owner Owner Owner Owner	1.66% N/A 50.00% 58.00% 50.00% 50.00%
Kirby Elenburg Bridgeport, Texas Oil Field Construction Company Owner	Community Bancshares, Inc. The Community Bank Other Business: West Fork Enterprises, Inc.	Director/Principal Shareholder Director Owner	19.65% N/A 90.00%
Dwayne Garrett Bridgeport, Texas Trucking Company Owner	Community Bancshares, Inc. The Community Bank Other Business: North Texas Compression, Inc. B & B Safety	Director/Principal Shareholder Director Owner Owner	21.41% N/A 100.00% 100.00%

COMMUNITY BANCSHARES, INC.
AND SUBSIDIARY
BRIDGEPORT, TEXAS

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

DECEMBER 31, 2018 AND 2017

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Stovall Grandey & Allen LLP

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76102-4702

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Community Bancshares, Inc. and Subsidiary
Bridgeport, Texas

We have audited the accompanying consolidated financial statements of Community Bancshares, Inc. and Subsidiary (the Corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of Community Bancshares, Inc. and Subsidiary as of December 31, 2018 and 2017 and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 33-34 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, LLP
Fort Worth, Texas
March 19, 2019

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and due from banks	$ 19,519,538	$ 10,290,911
Interest-bearing deposits		
at other financial institutions	4,201,971	5,096,347
Federal funds sold	100,000	100,000
Total cash and cash equivalents	23,821,509	15,487,258
Investment securities - Note 3	8,857,711	7,808,512
Loans, net of allowance for loan losses - Note 4	60,269,915	49,704,202
Bank premises and equipment, net - Note 5	5,471,182	2,111,087
Accrued interest receivable	350,510	255,669
Deferred income tax asset, net - Note 7	-	17,025
Federal income tax receivable	122,960	21,148
Other assets	87,268	48,750
Total Assets	$ 98,981,055	$ 75,453,651
LIABILITIES		
Deposits - Note 6:		
Non-interest-bearing	$ 24,559,696	$ 14,870,555
Interest-bearing	64,461,876	53,667,397
Total deposits	89,021,572	68,537,952
Other liabilities:		
Accrued interest payable	11,207	7,924
Deferred income tax liability, net - Note 7	82,364	-
Other liabilities	33,925	31,374
Total other liabilities	127,496	39,298
Total Liabilities	89,149,068	68,577,250
Commitments and contingencies - Notes 9, 10, 11, 12 and 13		
SHAREHOLDERS' EQUITY - Notes 14, 16 and 17		
Common stock, par value $.01 per share:		
Authorized - 2,000,000 shares; issued and outstanding:		
864,847 and 639,215 shares at December 31, 2018		
and 2017, respectively	8,648	6,392
Capital surplus	8,941,977	6,444,231
Retained earnings	951,176	460,420
Accumulated other comprehensive loss, net of		
tax benefit in 2018 and 2017	(69,814)	(34,642)
Total Shareholders' Equity	9,831,987	6,876,401
Total Liabilities and Shareholders' Equity	$ 98,981,055	$ 75,453,651

The accompanying notes are an integral part of these financial statements.

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest income		
Loans, including fees	$ 3,288,592	$ 2,601,900
Investments	180,080	154,391
Federal funds sold and interest-bearing deposits	107,613	70,327
Total interest income	3,576,285	2,826,618
Interest expense on deposits	470,762	386,309
Net interest income	3,105,523	2,440,309
Provision for loan losses - Note 4	111,897	29,873
Net interest income after provision for loan losses	2,993,626	2,410,436
Non-interest income		
Service charges on deposit accounts	240,253	193,611
Visa interchange fees	205,535	152,359
Correspondent bank earnings credit	137,035	78,992
Other non-interest income	10,403	8,036
Total non-interest income	593,226	432,998
Non-interest expense		
Salaries and employee benefits	1,720,990	1,249,787
Occupancy expense	299,107	232,601
Data processing	270,035	240,429
Director fees	197,500	183,100
FDIC assessment	49,285	27,642
Legal and professional	64,475	63,953
Loss on disposals of bank premises and equipment	10,035	1,190
Other expense	371,244	273,139
Total non-interest expense	2,982,671	2,271,841
Income before federal income tax	604,181	571,593
Federal income tax - Note 7	113,425	192,217
Net Income	$ 490,756	$ 379,376

The accompanying notes are an integral part of these financial statements.

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net Income	$ 490,756	$ 379,376
Other Comprehensive Income (Loss), Net of Tax (Benefit)		
Securities available-for-sale:		
Change in net unrealized gain (loss) during the year, net of tax (benefit) in 2018 and 2017	(35,172)	5,040
Other comprehensive income (loss), net of tax (benefit)	(35,172)	5,040
Comprehensive Income	$ 455,584	$ 384,416

The accompanying notes are an integral part of these financial statements.

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2017	$ 6,397	$ 6,450,843	$ 75,344	$ (33,982)	$ 6,498,602
Repurchase of common stock	(5)	(6,612)			(6,617)
Reclassification for federal income tax rate change from 34% to 21%			5,700	(5,700)	-
Comprehensive income for the year ended December 31, 2017			379,376	5,040	384,416
Balance at December 31, 2017	6,392	6,444,231	460,420	(34,642)	6,876,401
Issuance of common stock	2,256	2,497,746			2,500,002
Comprehensive income (loss) for the year ended December 31, 2018			490,756	(35,172)	455,584
Balance at December 31, 2018	$ 8,648	$ 8,941,977	$ 951,176	$ (69,814)	$ 9,831,987

The accompanying notes are an integral part of these financial statements.

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 490,756	$ 379,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,303	95,524
Provision for loan losses	111,897	29,873
Net amortization of premiums on investment securities	47,663	53,977
Deferred income tax	108,738	11,297
Federal income tax adjustment for rate change from 34% to 21%	-	5,700
Loss on disposals of bank premises and equipment	10,035	1,190
Increase in accrued income and other assets	(133,359)	(37,856)
Increase in federal income tax receivable	(101,812)	(39,074)
Increase (decrease) in accrued expenses and other liabilities	5,835	(4,190)
Total adjustments	178,300	116,441
Net Cash Provided by Operating Activities	669,056	495,817
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investment securities	(2,539,274)	(2,586,516)
Proceeds from maturities and calls of investment securities	10,847	-
Principal payments on available-for-sale investment securities	1,387,044	1,601,428
Increase in loans made to customers, net of principal collections	(10,677,612)	(6,556,145)
Purchases of bank premises and equipment	(3,499,432)	(87,641)
Proceeds from sales of bank premises and equipment	-	8,900
Net Cash Used by Investing Activities	(15,318,427)	(7,619,974)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits, interest-bearing transaction accounts and savings	21,501,429	5,000,393
Net decrease in time deposits	(1,017,809)	(727,689)
Proceeds from issuance of common stock	2,500,002	-
Repurchase of common stock	-	(6,617)
Net Cash Provided by Financing Activities	22,983,622	4,266,087
Increase (decrease) in cash and cash equivalents	8,334,251	(2,858,070)
Cash and cash equivalents at beginning of year	15,487,258	18,345,328
Cash and cash equivalents at end of year	$ 23,821,509	$ 15,487,258
SUPPLEMENTAL SCHEDULE OF OPERATING AND INVESTING ACTIVITIES:		
Interest paid	$ 467,479	$ 386,584
Federal income tax paid	106,500	214,003
Fair value adjustment on available-for-sale investment securities	(35,172)	5,040

The accompanying notes are an integral part of these financial statements.

Note 1 History

Community Bancshares, Inc. (Corporation) was granted approval by the Federal Reserve Bank of Dallas to become a bank holding company on May 17, 2007. The application for a Texas state charter for The Community Bank (Bank) was approved on March 16, 2007, and the Bank began operations on June 6, 2007. In October 2018, a second, full-service location was opened in Springtown, Texas.

Note 2 Summary of Significant Accounting Policies

The accounting and reporting policies of the Corporation are in accordance with accounting principles generally accepted in the United States of America.

Nature of Operations

The Corporation's principal office is in Bridgeport, Texas. The Bank offers a full range of consumer and commercial banking services primarily to small businesses and individuals residing in and around Wise County and Parker County, Texas. The Bank operates under a state bank charter and is subject to regulation by the Texas State Department of Banking and the Federal Deposit Insurance Corporation (FDIC). The Corporation is subject to regulation by the Federal Reserve Board.

Principles of Consolidation

The consolidated financial statements of Community Bancshares, Inc. include its accounts and those of its subsidiary, The Community Bank. The Corporation owns 100% of the outstanding stock of the Bank. All significant intercompany accounts and transactions have been eliminated on consolidation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 Corporation's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

Note 2 Summary of Significant Accounting Policies, continued

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 Corporation 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.

Cash and Cash Equivalents and Cash Flows

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents are defined as those amounts included in cash and amounts due from banks, interest-bearing deposits maturing in three months or less and federal funds sold. The Corporation reports net cash flows from customer loan and deposit transactions.

Investment Securities

The Corporation accounts for investment securities according to authoritative guidance issued by the Financial Accounting Standards Board (FASB). Under the provisions of the FASB authoritative guidance, debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains (losses) on securities available-for-sale are included in other income and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their amortized cost that are other than temporary result in writedowns of the individual securities to their fair value. The related writedowns are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (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 Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Note 2 Summary of Significant Accounting Policies, continued

Loans

Loans are stated at the principal amount outstanding less the allowance for loan losses. Interest income on loans is recognized based upon the principal amounts outstanding. Generally, the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due or when they are past due 90 days as to either principal or interest, unless they are well secured and in the process of collection. When interest accrual is discontinued, all unpaid accrued interest is reversed against current income. If management determines that the ultimate collectibility of principal is in doubt, cash receipts on nonaccrual loans are applied to reduce the principal balance on a cash-basis method, until the loans qualify for return to accrual status or principal is paid in full. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. Past due status is determined based on contractual terms.

Loan origination fees are recognized as income and loan origination costs are expensed as incurred, as management has determined that capitalization of these items would be immaterial to the consolidated financial statements.

Allowance for Loan Losses

The allowance for loan losses is comprised of amounts charged against income in the form of the provision for loan losses, less charged-off loans, net of recoveries. Loans are charged against the allowance for loan losses when management believes that collection of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance for loan losses.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Note 2 Summary of Significant Accounting Policies, continued

Allowance for Loan Losses, continued

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable 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 for commercial and construction loans 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. Large groups of smaller balance homogenous loans are collectively evaluated for impairment; accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

Periodically, regulatory agencies will review the Corporation's allowance for loan losses as an integral part of their examination process and may require the Corporation to make additions to the allowance based on their judgment about information available to them at the time of their examination.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method based upon the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less.

Maintenance and repairs are charged to operating expenses. Renewals and betterments are added to the asset accounts and depreciated over the periods benefited. Depreciable assets sold or retired are removed from the asset and related accumulated depreciation accounts and any gain or loss is reflected in the income and expense accounts. These assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines an impairment exists, the asset is reduced with an offsetting charge to expense.

Other Real Estate Owned

Other real estate owned is foreclosed property held pending disposition and is initially recorded at fair value less estimated selling costs when acquired, establishing a new cost basis. At foreclosure, if the fair value of the real estate acquired less estimated selling costs is less than the Corporation's recorded investment in the related loan, a writedown is recognized through a charge to the allowance for loan losses. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to income, if necessary, to reduce the carrying value of the property to its fair value less estimated selling costs. Sales of other real estate owned are accounted for according to authoritative guidance issued by the FASB.

Note 2 Summary of Significant Accounting Policies, continued

Federal Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the tax and financial reporting of the allowance for loan losses, organizational costs and accumulated depreciation and amortization.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation and the Bank join in filing consolidated federal and state income tax returns. The Companies maintain their records on the accrual basis of accounting for financial reporting purposes and on the cash basis for income tax reporting purposes.

In accordance with authoritative guidance issued by the FASB, the Corporation performed an evaluation to determine if there were any uncertain tax positions that would have an impact on the consolidated financial statements. No uncertain tax positions were identified. The December 31, 2015 through December 31, 2018 tax years remain subject to examination by the Internal Revenue Service. The Corporation does not believe that any reasonably possible changes will occur within the next 12 months which will have a material impact on the consolidated financial statements. The Corporation records incurred penalties and interest in other non-interest expense. There were no penalties and interest assessed by taxing authorities during 2018 or 2017.

Comprehensive Income

The Corporation has adopted authoritative guidance issued by the FASB which establishes standards for reporting and display of comprehensive income and its components. The Corporation reports comprehensive income in the statement of comprehensive income.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs in the amounts of $33,322 and $24,310 were expensed during 2018 and 2017, respectively.

Reclassifications

Certain accounts from the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Note 2 Summary of Significant Accounting Policies, continued

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the consolidated financial statements are available to be issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Corporation has evaluated subsequent events from December 31, 2018 through March 19, 2019, the date the financial statements were available to be issued.

New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606*). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a corporation will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the corporation expects to be entitled in exchange for those goods or services. In doing so, corporations will need to use more judgement and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual reporting periods beginning after December 15, 2018. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendment has a number of provisions including the requirements that public business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans receivables), and eliminating the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendment is effective for annual and interim reporting periods beginning after December 15, 2018. The Corporation is evaluating the potential impact of the amendment on the Corporation's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Corporation is evaluating the potential impact of the amendment on the Corporation's consolidated financial statements.

Note 2 Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The standard requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The standard also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio.

These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Additionally, the standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For non-public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. All entities may adopt the amendments in this update earlier as of the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity will apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation believes the amendments in this update will have an impact on the Corporation's consolidated financial statements and is working to evaluate the significance of that impact.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This amendment provides guidance on eight specific cash flow issues, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Implementation of this standard is not expected to have a significant impact on the Corporation's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The amendments in this update shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments of this update are applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Corporation is evaluating the potential impact to the consolidated financial statements regarding implementation of this amendment.

Note 2 Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This amendment helps organizations reclassify certain stranded income tax effects in accumulated other comprehensive income resulting from the reduction in the federal income tax rate included in the Tax Cuts and Jobs Acts of 2017. The amendment is effective for all organizations for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Corporation early adopted this standard in 2017 and reclassified $5,700 from Accumulated Other Comprehensive Income to Retained Earnings.

Note 3 Investment Securities

The amortized cost and fair values of investment securities at December 31, 2018 are as follows:

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Obligations of states and political subdivisions	$ 3,905,818	$ 22,426	$ (2,618)	$ 3,925,626
U.S. Government agencies and corporations	995,480	-	(33,101)	962,379
U.S. Government agency mortgage-backed securities	4,044,786	1,921	(77,001)	3,969,706
Total available-for-sale securities	$ 8,946,084	$ 24,347	$ (112,720)	$ 8,857,711

The balance sheet as of December 31, 2018 reflects the fair value of available-for-sale securities of $8,857,711. A net unrealized loss of $88,373 is in the available-for-sale investment securities balance. The unrealized loss, net of tax benefit, is included in shareholders' equity.

Note 3 Investment Securities, continued

The amortized cost and fair values of investment securities at December 31, 2017 are as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Obligations of states and political subdivisions	$ 1,883,496	$ 22,092	$ (887)	$ 1,904,701
U.S. Government agencies and corporations	1,007,168	-	(10,908)	996,260
U.S. Government agency mortgage-backed securities	4,961,699	11,457	(65,605)	4,907,551
Total available-for-sale securities	$ 7,852,363	$ 33,549	$ (77,400)	$ 7,808,512

The balance sheet as of December 31, 2017 reflects the fair value of available-for-sale securities of $7,808,512. A net unrealized loss of $43,851 is in the available-for-sale investment securities balance. The unrealized loss, net of tax benefit, is included in shareholders' equity.

The amortized cost and fair value of debt securities at December 31, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities are shown separately, since they are not due at a single maturity date.

	Available-for-Sale	
	Amortized Cost	Fair Value
Amounts maturing in:		
After one year through five years	$ 548,119	$ 546,089
After five years through ten years	3,172,293	3,151,713
After ten years	1,180,886	1,190,203
	4,901,298	4,888,005
Mortgage-backed securities	4,044,786	3,969,706
Totals	$ 8,946,084	$ 8,857,711

The Corporation had no pledged securities at December 31, 2018 and 2017.

During 2018 and 2017, there were no sales of investments.

Note 3 Investment Securities, continued

Information pertaining to securities with gross unrealized losses at December 31, 2018 and 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018:						
State and municipal governments	$ 473,856	$ (777)	$ 247,653	$ (1,841)	$ 721,509	$ (2,618)
Federal agencies	715,848	(2,084)	4,084,718	(108,018)	4,800,566	(110,102)
Totals	$ 1,189,704	$ (2,861)	$ 4,332,371	$ (109,859)	$ 5,522,075	$ (112,720)
December 31, 2017:						
State and municipal governments	$ 252,548	$ (887)	$ -	$ -	$ 252,548	$ (887)
Federal agencies	996,260	(10,908)	4,311,933	(65,605)	5,308,193	(76,513)
Totals	$ 1,248,808	$ (11,795)	$ 4,311,933	$ (65,605)	$ 5,560,741	$ (77,400)

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 Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

There were 20 debt securities with an unrealized loss of 2.00% from their amortized cost at December 31, 2018. The Corporation has evaluated these securities and has determined that the decline in value is temporary and is related to change in market interest rates since purchase. The decline in value is not related to any company or industry specific event. The Corporation anticipates full recovery of amortized cost with respect to these securities at maturity or sooner in the event of a more favorable market interest rate. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

Note 4 Loans and Allowance for Loan Losses

An analysis of loan categories at December 31, 2018 and 2017 is as follows:

	2018	2017
Commercial and agricultural loans	$ 14,071,008	$ 13,118,463
Real estate (RE) loans:		
Construction, land and land development	9,258,596	6,179,010
Residential 1-4 family	12,616,839	10,509,783
Commercial RE and farmland	22,894,378	18,591,449
Consumer and other loans	1,814,342	1,596,580
Overdrafts	3,772	8,480
	60,658,935	50,003,765
Less: Allowance for loan losses	(389,020)	(299,563)
Loans, net	$ 60,269,915	$ 49,704,202

Transactions in the allowance for loan losses in 2018 are summarized as follows:

	Commercial and Agricultural	Construction, Land and Land Development	Residential 1-4 Family	Commercial Real Estate and Farmland	Consumer and Other	Unallocated	2018 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 87,891	$ 24,716	$ 42,039	$ 73,649	$ 14,020	$ 57,248	$ 299,563
Provisions, charged (credited) to income	58,488	20,590	19,700	38,253	32,114	(57,248)	111,897
	146,379	45,306	61,739	111,902	46,134	-	411,460
Loans charged-off	-	-	-	-	(24,087)	-	(24,087)
Recoveries of loans previously charged-off	-	-	-	-	1,647	-	1,647
Net charge-offs	-	-	-	-	(22,440)	-	(22,440)
Balance, end of year	$ 146,379	$ 45,306	$ 61,739	$ 111,902	$ 23,694	$ -	$ 389,020
Amounts allocated to: Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Amounts allocated to: Collectively evaluated for impairment	146,379	45,306	61,739	111,902	23,694	-	389,020
Balance, end of year	$ 146,379	$ 45,306	$ 61,739	$ 111,902	$ 23,694	$ -	$ 389,020
Loans:							
Individually evaluated for impairment	$ -	$ -	$ -	$ 26,415	$ -		$ 26,415
Collectively evaluated for impairment	14,071,008	9,258,596	12,616,839	22,867,963	1,818,114		60,632,520
Ending balance total loans	$ 14,071,008	$ 9,258,596	$ 12,616,839	$ 22,894,378	$ 1,818,114		$ 60,658,953

Note 4 Loans and Allowance for Loan Losses, continued

Transactions in the allowance for loan losses in 2017 are summarized as follows:

	Commercial and Agricultural	Construction, Land and Land Development	Residential 1-4 Family	Commercial Real Estate and Farmland	Consumer and Other	Unallocated	2017 Total
Allowance for Loan Losses:							
Balance, beginning of year	$ 86,857	$ 9,412	$ 43,365	$ 65,910	$ 9,544	$ 57,431	$ 272,519
Provisions, charged (credited) to income	1,034	15,304	(1,326)	7,739	7,305	(183)	29,873
	87,891	24,716	42,039	73,649	16,849	57,248	302,392
Loans charged-off	-	-	-	-	(5,245)	-	(5,245)
Recoveries of loans previously charged-off	-	-	-	-	2,416	-	2,416
Net charge-offs	-	-	-	-	(2,829)	-	(2,829)
Balance, end of year	$ 87,891	$ 24,716	$ 42,039	$ 73,649	$ 14,020	$ 57,248	$ 299,563
Amounts allocated to: Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Amounts allocated to: Collectively evaluated for impairment	87,891	24,716	42,039	73,649	14,020	57,248	299,563
Balance, end of year	$ 87,891	$ 24,716	$ 42,039	$ 73,649	$ 14,020	$ 57,248	$ 299,563
Loans:							
Individually evaluated for impairment	$ 37,072	$ -	$ -	$ 179,142	$ -		$ 216,214
Collectively evaluated for impairment	13,081,391	6,179,010	10,509,783	18,412,307	1,605,060		49,787,551
Ending balance total loans	$ 13,118,463	$ 6,179,010	$ 10,509,783	$ 18,591,449	$ 1,605,060		$ 50,003,765

Federal regulations require that the Corporation periodically evaluate the risks inherent in its loan portfolio. In addition, the Corporation's regulatory agencies have authority to identify problem loans and, if appropriate, require them to be reclassified. There are three classifications for problem loans: Substandard, Doubtful and Loss. Substandard loans have one or more defined weaknesses and are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Doubtful loans have the weaknesses of loans classified as “Substandard,” with additional characteristics that suggest the weaknesses make collection or recovery in full after liquidation of collateral questionable on the basis of currently existing facts, conditions and values. There is a high possibility of loss in loans classified as “Doubtful.” A loan classified as “Loss” is considered uncollectible and of such little value that continued classification of the credit as a loan is not warranted. If a loan or a portion thereof is classified as “Loss,” it must be charged-off, meaning the amount of the loss is charged against the allowance for loan losses, thereby reducing that reserve. The Corporation also classifies some loans as “Watch” or “Other Assets Especially Mentioned” (“OAEM”). Loans classified as Watch are performing assets and classified as pass credits but have elements of risk that require more monitoring than other performing loans. Loans classified as OAEM are assets that continue to perform but have shown deterioration in credit quality and require close monitoring.

Note 4 Loans and Allowance for Loan Losses, continued

Loans by credit quality risk rating at December 31, 2018 and 2017 are as follows:

	Pass	Other Assets Especially Mentioned	Sub-Standard	Doubtful	Total
December 31, 2018:					
Commercial and agricultural loans	$ 13,997,118	$ 73,890	$ -	$ -	$ 14,071,008
Real estate (RE) loans:					
Construction, land and land development	8,881,921	376,675	-	-	9,258,596
Residential 1-4 family	12,541,254	75,585	-	-	12,616,839
Commercial real estate and farmland	22,382,628	511,750	-	-	22,894,378
Consumer and other loans	1,818,114	-	-	-	1,818,114
Total	$ 59,621,035	$ 1,037,900	$ -	$ -	$ 60,658,935
December 31, 2017:					
Commercial and agricultural loans	$ 12,939,085	$ 179,378	$ -	$ -	$ 13,118,463
Real estate (RE) loans:					
Construction, land and land development	6,171,583	7,427	-	-	6,179,010
Residential 1-4 family	10,399,557	110,226	-	-	10,509,783
Commercial real estate and farmland	18,494,894	96,555	-	-	18,591,449
Consumer and other loans	1,541,888	63,172	-	-	1,605,060
Total	$ 49,547,007	$ 456,758	$ -	$ -	$ 50,003,765

The Corporation had no loans on nonaccrual at December 31, 2018 and 2017.

Note 4 Loans and Allowance for Loan Losses, continued

At December 31, 2018 and 2017, a summary of information pertaining to impaired loans is as follows:

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2018:							
Commercial and agricultural loans	$ -	$ -	$ -	$ -	$ -	$ 18,536	$ -
Commercial real estate and farmland	26,415	26,415	-	26,415	-	102,779	8,553
Total	$ 26,415	$ 26,415	$ -	$ 26,415	$ -	$ 121,315	$ 8,553
December 31, 2017:							
Commercial and agricultural loans	$ 61,456	$ 37,072	$ -	$ 37,072	$ -	$ 49,264	$ 2,789
Commercial real estate and farmland	185,182	179,142	-	179,142	-	182,162	9,046
Total	$ 246,638	$ 216,214	$ -	$ 216,214	$ -	$ 231,426	$ 11,835

The Corporation has no commitments to loan additional funds to borrowers whose loans are impaired.

Troubled Debt Restructurings

The restructuring of a loan is considered a "troubled debt restructuring" if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. There were no troubled debt restructurings during 2018 and 2017.

At December 31, 2018 and 2017, all loans restructured in prior years are paying in accordance with the restructured terms.

Note 4 Loans and Allowance for Loan Losses, continued

The following table illustrates an age analysis of past due loans as of December 31, 2018 and 2017:

	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Recorded Investment 90 Days or More Past Due and Still Accruing
December 31, 2018:						
Commercial and agricultural loans	$ -	$ -	$ -	$ 14,071,008	$ 14,071,008	$ -
Real estate (RE) loans:						
Construction, land and land development	-	376,676	376,676	8,881,920	9,258,596	376,676
Residential 1-4 family	179,092	-	179,092	12,437,747	12,616,839	-
Commercial real estate and farmland	-	94,420	94,420	22,799,958	22,894,378	94,420
Consumer and other loans	10,974	-	10,974	1,807,140	1,818,114	-
Total	$ 190,066	$ 471,096	$ 661,162	$ 59,997,773	$ 60,658,935	$ 471,096
December 31, 2017:						
Commercial and agricultural loans	$ -	$ -	$ -	$ 13,118,463	$ 13,118,463	$ -
Real estate (RE) loans:						
Construction, land and land development	-	-	-	6,179,010	6,179,010	-
Residential 1-4 family	-	-	-	10,509,783	10,509,783	-
Commercial real estate and farmland	-	-	-	18,591,449	18,591,449	-
Consumer and other loans	11,963	-	11,963	1,593,097	1,605,060	-
Total	$ 11,963	$ -	$ 11,963	$ 49,991,802	$ 50,003,765	$ -

Note 5 Bank Premises and Equipment

The investment in bank premises and equipment at December 31, 2018 and 2017 is as follows:

	2018	2017
Land	$ 1,068,175	$ 616,819
Furniture and equipment	1,089,916	635,253
Building and improvements	4,201,432	1,568,914
Software	84,099	75,021
Premises and equipment in process	-	63,541
	6,443,622	2,959,548
Less accumulated depreciation and amortization	(972,440)	(848,461)
Bank premises and equipment, net	$ 5,471,182	$ 2,111,087

Depreciation and amortization on bank premises and equipment charged to expense totaled $129,303 and $95,524 for the years ended December 31, 2018 and 2017, respectively.

Note 6 Deposits

The carrying amounts of deposits at December 31, 2018 and 2017 are as follows:

	2018	2017
Demand	$ 24,559,696	$ 14,870,555
Interest-bearing transaction accounts	50,536,860	40,643,165
Savings	4,137,639	2,219,046
Time deposits less than $250,000	6,647,526	7,289,542
Time deposits greater than $250,000	3,139,851	3,515,644
Total deposits	$ 89,021,572	$ 68,537,952

Maturities of time deposits for each of the next five years are:

2019	$ 7,705,742
2020	816,159
2021	897,133
2022	270,457
2023	97,886
	$ 9,787,377

Note 7 Federal Income Taxes

The components of the federal income tax provision for the years ended December 31, 2018 and 2017 are listed below.

	2018	2017
Current income tax expense	$ 4,687	$ 180,920
Deferred income tax expense	108,738	11,297
Total income tax expense	$ 113,425	$ 192,217

The principal factors causing a variation from the statutory tax rate are as follows:

	2018	2017
Statutory tax on income (at 21% in 2018 and 34% in 2017)	$ 126,878	$ 194,342
Tax effect of tax exempt interest	(14,142)	(14,403)
Tax effect of reducing net deferred tax asset for reduction in tax rate	-	10,826
Tax effect of other items	689	1,452
Total income tax expense	$ 113,425	$ 192,217

The Tax Cuts and Jobs Act bill was signed into law on December 22, 2017. This bill included a provision to lower the corporate income tax rate effective January 1, 2018 to a flat 21%. As a result of this, the Corporation revalued the net deferred tax assets to reflect the change in tax rate. As noted in the table above, the Corporation recorded additional income tax expense totaling $10,826 in 2017 as a result of this revaluation of the net deferred tax assets as of December 31, 2017.

The Corporation has the following temporary differences and carryforward items at December 31, 2018 and 2017:

	2018	2017
Deferred Tax Asset:		
Allowance for loan losses	$ 81,694	$ 62,908
Organizational costs	22,776	29,442
Net operating loss	24,151	-
Unrealized loss on AFS securities	18,558	9,209
Other	5,422	-
Total Deferred Tax Asset	152,601	101,559
Deferred Tax Liability:		
Premises and equipment	(163,787)	(35,350)
Accrual to cash conversion	(71,178)	(49,184)
Total Deferred Tax Liability	(234,965)	(84,534)
Net Deferred Tax Asset (Liability)	$ (82,364)	$ 17,025

Note 8 Related Party Transactions

The Corporation had transactions made in the ordinary course of business with certain of its officers and directors. All loans included in such transactions were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

A summary of related party loan transactions follows:

	Balance Beginning of Year	Additions	Amounts Collected	Balance End of Year
For the year ended: **December 31, 2018**	$ 4,332,449	$ 1,380,047	$ (2,423,539)	$ 3,288,957
For the year ended: **December 31, 2017**	$ 3,124,223	$ 2,008,148	$ (799,922)	$ 4,332,449

The Corporation held related-party deposits of approximately $37,249,000 and $28,573,000 at December 31, 2018 and 2017, respectively, which includes deposits held for directors, executive officers, principal shareholders, and related business entities.

Note 9 Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not reflected in the financial statements. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Corporation uses the same credit policies in making such commitments as it does for instruments that are included in the balance sheets.

Financial instruments whose contract amount represents credit risk were as follows:

	2018	2017
Commitments to extend credit	$ 8,363,014	$ 6,927,702
Standby letters of credit	145,705	96,705

Note 9 Financial Instruments with Off-Balance-Sheet Risk, 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 Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Corporation has not been required to perform on any financial guarantees during 2018 and 2017. The Corporation has not incurred any losses on its commitments in 2018 and 2017.

Note 10 Compensated Absences

Employees of the Corporation are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 11 Commitments and Contingent Liabilities

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Corporation.

Note 12 Lines of Credit

The Corporation has established unsecured lines of credit in the amount of $1,300,000 and $3,133,000 at December 31, 2018 and 2017, respectively, for overnight purchase of federal funds. These lines may be cancelled without prior notification. There were no outstanding balances on these lines of credit at December 31, 2018 and 2017.

Note 13 Concentration of Credit Risk

The Corporation maintains its cash accounts with several correspondent banks. Generally, accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. At December 31, 2018, uninsured deposits in other financial institutions totaled $21,514,030. Furthermore, federal funds sold are essentially uncollateralized loans to other financial institutions. Management regularly evaluates the credit risk associated with the counterparties to these transactions and believes that the Corporation is not exposed to any significant credit risks on cash and cash equivalents.

The Corporation has credit risk exposure, including off-balance-sheet credit risk exposure, as disclosed in Notes 4 and 9. Most of the Corporation's business activity is with customers located in Wise County, Texas and the surrounding areas. Concentrations of credit by loan type are set forth in Note 4.

Note 14 Restriction on Dividends

In the ordinary course of business, the Corporation is dependent upon dividends from The Community Bank to provide funds for the payment of dividends to shareholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of The Community Bank to fall below specified minimum levels.

Note 15 Regulatory Matters

Banks are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory (and possibly additional discretionary) actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy 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 amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: Total Risk-Based capital, Tier 1 capital and Common Equity Tier 1 capital to risk-weighted assets (as defined in the regulations), and Leverage capital, which is Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2018 and 2017, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank's Tier 1 capital consists of shareholder's equity excluding unrealized gains and losses on securities available-for-sale.

The Community Bank has been notified by its regulators that it is regarded as well capitalized under the regulatory framework for prompt corrective action. Such determination has been made based on the Bank's Common Equity Tier 1, Tier 1, total capital and leverage ratios. There have been no conditions or events since this notification that management believes would change the Bank's categorization as well capitalized under the ratios listed on the next page.

Note 15 Regulatory Matters, continued

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to as Basel III). The new rule establishes a new regulatory capital framework that incorporates revisions to the Basel capital framework, strengthens the definition of regulatory capital, increases risk-based capital requirements, and amends the methodologies for determining risk-weighted assets. These changes are expected to increase the amount of capital required by community banking organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2019.

Management believes that, as of December 31, 2018 and 2017, the Bank would meet all capital adequacy requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future.

The Bank's actual and required capital amounts and ratios are as follows (dollars in thousands):

	Actual		Minimum Required for Capital Adequacy Purposes		Required to be Well Capitalized under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2018:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 10,162	15.24%	$ 5,334	8.00%	$ 6,667	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 9,773	14.66%	$ 4,000	6.00%	$ 5,334	8.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 9,773	14.66%	$ 3,000	4.50%	$ 4,334	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 9,773	10.93%	$ 3,577	4.00%	$ 4,472	5.00%
As of December 31, 2017:						
Total Risk-based Capital (to Risk-weighted Assets)	$ 7,083	13.99%	$ 4,051	8.00%	$ 5,064	10.00%
Tier 1 Capital (to Risk-weighted Assets)	$ 6,783	13.40%	$ 3,038	6.00%	$ 4,051	8.00%
Common Equity Tier 1 Capital (to Risk-weighted Assets)	$ 6,783	1340%	$ 2,279	4.50%	$ 3,291	6.50%
Leverage Capital (to Adjusted Total Assets)	$ 6,783	9.19%	$ 2,953	4.00%	$ 3,692	5.00%

Note 16 Equity Transactions

The Corporation had a secondary stock offering during 2018. An additional 225,632 shares were sold at $11.08 per share for total proceeds of $2,500,002. The Corporation contributed the proceeds to the Bank in October 2018.

Note 17 Stock Incentive Plan

In December 2007, the Board of Directors approved the adoption of the 2008 Stock Incentive Plan (the Plan), whereby the Corporation may grant awards to employees and directors of shares of common stock such as Incentive and Non-Qualified Stock Options. The Plan was effective on January 1, 2008. The total number of shares of stock as to which options may be granted is 100,000 shares. The options shall be granted at a price that shall not be less than 100% of the Fair Market Value on the date that such Option is granted. The term of an Option shall be fixed by the Committee; provided however that for any option to qualify as an ISO, the Option shall expire not more than ten years from the date the Option is granted.

No options were issued or outstanding at December 31, 2018 or 2017.

Note 18 Employee Benefit Plans

The Community Bank has a 401(k) profit sharing plan that covers employees age eighteen and over. Employees must be employed for three months in order to enter the Plan. The Plan provides for “before-tax” employee contributions through salary reductions under Section 401(k) of the Internal Revenue Code. An employer match of 3% was approved by the Board in April 2015. The Corporation made matching 401(k) contributions of approximately $28,000 and $23,000 for the years ended December 31, 2018 and 2017, respectively.

Note 19 Fair Value Measurements

The Corporation has adopted authoritative guidance issued by the FASB regarding fair value measurements for financial assets and financial liabilities. The authoritative guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

The authoritative guidance issued by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Note 19 Fair Value Measurements, continued

The authoritative guidance issued by the FASB requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

- ***Level 1 Inputs*****:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- ***Level 2 Inputs:*** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- ***Level 3 Inputs:*** Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Corporation's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 19 Fair Value Measurements, continued

Securities Available-for-Sale: U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Impaired Loans: Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

Other Real Estate Owned: Other real estate owned represents foreclosed assets that are reported at the fair value less estimated selling costs of the underlying property. The fair values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on information obtained from customized discounting criteria.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value: At December 31, 2018 and 2017, there were no financial liabilities measured at fair value on a recurring basis.

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2018:				
Available-For-Sale				
Obligations of states and political subdivisions	$ -	$ 3,925,626	$ -	$ 3,925,626
U.S. Government agencies and corporations	-	962,379	-	962,379
U.S. Government agency mortgage-backed securities	-	3,969,706	-	3,969,706
Totals	$ -	$ 8,857,711	$ -	$ 8,857,711
December 31, 2017:				
Available-For-Sale				
Obligations of states and political subdivisions	$ -	$ 1,904,701	$ -	$ 1,904,701
U.S. Government agencies and corporations	-	996,260	-	996,260
U.S. Government agency mortgage-backed securities	-	4,907,551	-	4,907,551
Totals	$ -	$ 7,808,512	$ -	$ 7,808,512

Note 19 Fair Value Measurements, continued

Certain financial assets are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a non-recurring basis include certain impaired loans reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

The following table summarizes financial assets measured at fair value on a non-recurring basis as of December 31, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure the fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2018:				
Impaired loans	$ -	$ 26,415	$ -	$ 26,415
Less specific valuation allowance for possible loan losses	-	-	-	-
Impaired loans, net	$ -	$ 26,415	$ -	$ 26,415
December 31, 2017:				
Impaired loans	$ -	$ 216,214	$ -	$ 216,214
Less specific valuation allowance for possible loan losses	-	-	-	-
Impaired loans, net	$ -	$ 216,214	$ -	$ 216,214

Certain nonfinancial assets are measured at fair value on a non-recurring basis. Nonfinancial assets measured at fair value on a non-recurring basis include other real estate owned which, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for loan losses and certain other real estate owned, which subsequent to their initial recognition, were remeasured at fair value through a writedown included in other non-interest expense. The fair value of other real estate owned is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

At December 31, 2018 and 2017, the Corporation had no foreclosed property.

OTHER FINANCIAL INFORMATION

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

	COMMUNITY BANCSHARES INC.	THE COMMUNITY BANK	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash and due from banks	$ 128,401	$ 19,519,538	$ (128,401)	$ 19,519,538
Interest-bearing deposits				
at other financial institutions	-	4,201,971	-	4,201,971
Federal funds sold	-	100,000	-	100,000
Total cash and cash equivalents	128,401	23,821,509	(128,401)	23,821,509
Investment securities	-	8,857,711	-	8,857,711
Loans, net of allowance for loan losses	-	60,269,915	-	60,269,915
Bank premises and equipment, net	-	5,471,182	-	5,471,182
Investment in subsidiary	9,703,586	-	(9,703,586)	-
Accrued interest receivable	-	350,510	-	350,510
Federal income tax receivable	-	122,960	-	122,960
Other assets	-	87,268	-	87,268
Total Assets	$ 9,831,987	$ 98,981,055	$ (9,831,987)	$ 98,981,055
LIABILITIES				
Deposits:				
Non-interest-bearing	$ -	$ 24,688,097	$ (128,401)	$ 24,559,696
Interest-bearing	-	64,461,876	-	64,461,876
Total deposits	-	89,149,973	(128,401)	89,021,572
Other liabilities:				
Accrued interest payable	-	11,207	-	11,207
Deferred income tax liability, net	-	82,364	-	82,364
Other liabilities	-	33,925	-	33,925
Total other liabilities	-	127,496	-	127,496
Total Liabilities	-	89,277,469	(128,401)	89,149,068
SHAREHOLDERS' EQUITY				
Common stock, par value $.01 per share:				
Authorized - 2,000,000 shares				
Issued and outstanding - 864,847 shares	8,648	3,000,000	(3,000,000)	8,648
Capital surplus	8,941,977	5,822,225	(5,822,225)	8,941,977
Retained earnings	951,176	951,176	(951,176)	951,176
Accumulated other comprehensive loss, net	(69,814)	(69,815)	69,815	(69,814)
Total Shareholders' Equity	9,831,987	9,703,586	(9,703,586)	9,831,987
Total Liabilities and Shareholders' Equity	$ 9,831,987	$ 98,981,055	$ (9,831,987)	$ 98,981,055

See Independent Auditor's Report.

COMMUNITY BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	COMMUNITY BANCSHARES INC.	THE COMMUNITY BANK	ELIMINATIONS	CONSOLIDATED
Interest income				
Loans, including fees	$ -	$ 3,288,592	$ -	$ 3,288,592
Investments	-	180,080	-	180,080
Federal funds sold and interest-bearing deposits	-	107,613	-	107,613
Total interest income	-	3,576,285	-	3,576,285
Interest expense on deposits	-	470,762	-	470,762
Net interest income	-	3,105,523	-	3,105,523
Provision for loan losses	-	111,897	-	111,897
Net interest income after provision for loan losses	-	2,993,626	-	2,993,626
Non-interest income				
Service charges on deposit accounts	-	240,253	-	240,253
Visa interchange fees	-	205,535	-	205,535
Undistributed earnings of subsidiary	490,756	-	(490,756)	-
Correspondent bank earnings credit	-	137,035	-	137,035
Other non-interest income	-	10,403	-	10,403
Total non-interest income	490,756	593,226	(490,756)	593,226
Non-interest expense				
Salaries and employee benefits	-	1,720,990	-	1,720,990
Occupancy expense	-	299,107	-	299,107
Data processing	-	270,035	-	270,035
Director fees	-	197,500	-	197,500
FDIC assessment	-	49,285	-	49,285
Legal and professional	-	64,475	-	64,475
Loss on disposals of bank premises and equipment	-	10,035	-	10,035
Other expense	-	371,244	-	371,244
Total non-interest expense	-	2,982,671	-	2,982,671
Income before federal income tax	490,756	604,181	(490,756)	604,181
Federal income tax	-	113,425	-	113,425
Net Income	$ 490,756	$ 490,756	$ (490,756)	$ 490,756

See Independent Auditor's Report.