AMENDED 7-18-16

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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)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners' Loan Act. 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 and top-tier savings and loan 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.

I, Bruce Stephens
Name of the Holding Company Director and Official

Chairman and President
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.

Bruce Stephens
Signature of Holding Company Director and Official

07/05/2016
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 1107700
C.I.

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2015
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

First Graham Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 540
(Mailing Address of the Holding Company) Street / P.O. Box

Graham	TX	76450
City	State	Zip Code

623 Elm Street Graham, TX 76450
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Donna Goray	Secretary-Treasurer
Name	Title

940 521-3608
Area Code / Phone Number / Extension

940549-2397
Area Code / FAX Number

dgoray@cierabank.com
E-mail Address

N/A
Address (URL) for the Holding Company's web page

Does the reporter request confidential treatment for any portion of this submission?

- [ ] Yes Please identify the report items to which this request applies:
  - [ ] In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
  - [ ] The information for which confidential treatment is sought is being submitted separately labeled "Confidential."
- [x] No

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.25 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.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

N/A

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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Physical Location (if different from mailing address)

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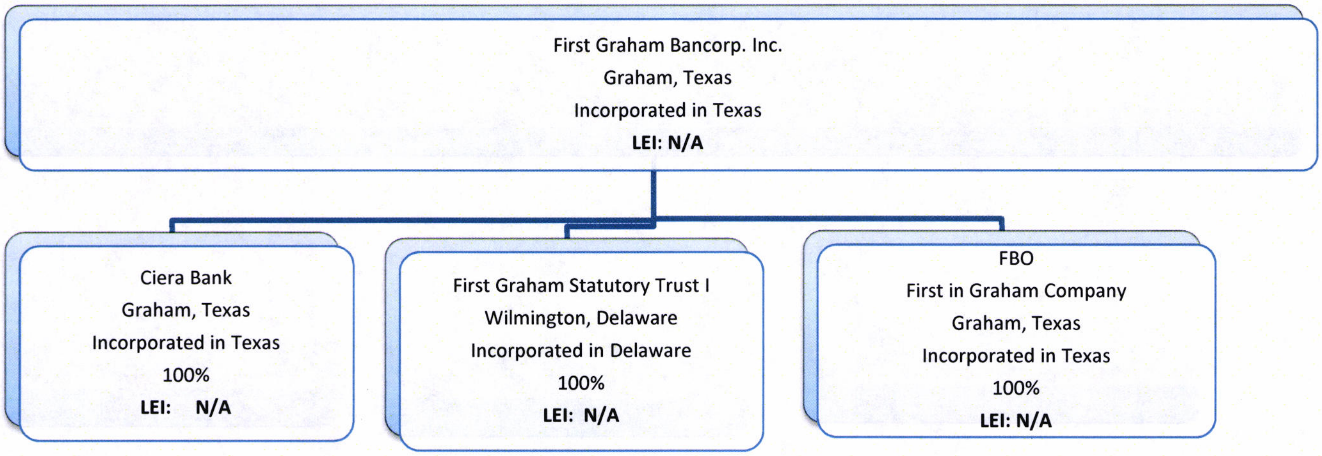
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Exhibit A
Organizational Chart
12/31/2015



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Results: A list of branches for your holding company: FIRST GRAHAM BANCORP, INC. (1107700) of GRAHAM, TX.
The data are as of 12/31/2015. Data reflects information that was received and processed through 01/07/2016.

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	12/31/2015	Full Service (Head Office)	327855	CIERA BANK	623 ELM STREET	GRAHAM	TX	76450	YOUNG	UNITED STATES	2081	0	CIERA BANK	327855	
ok	12/31/2015	Full Service	3448368	ALEDO BRANCH	301 S FM 1187	ALEDO	TX	76008	PARKER	UNITED STATES	452548	2	CIERA BANK	327855	
ok	12/31/2015	Full Service	3541997	AUBREY BRANCH	958 SOUTH HIGHWAY 377	AUBREY	TX	76227	DENTON	UNITED STATES	430153	5	CIERA BANK	327855	
ok	12/31/2015	Full Service	2603423	BRYSON BRANCH	300 EAST DEMPSEY STREET	BRYSON	TX	76427	JACK	UNITED STATES	241034	1	CIERA BANK	327855	
ok	12/31/2015	Full Service	4498520	DENTON BRANCH	321 WEST OAK STREET	DENTON	TX	76201	DENTON	UNITED STATES	Not Required	Not Required	CIERA BANK	327855	
ok	12/31/2015	Full Service	114756	FLOWER MOUND BRANCH	1801 CROSS TIMBERS ROAD	FLOWER MOUND	TX	75028	DENTON	UNITED STATES	11238	3	CIERA BANK	327855	
Change	9/14/2015	Full Service	827953	FORT WORTH BRANCH	1120 Summit Aveue	FORT WORTH	TX	76102	TARRANT	UNITED STATES	12762	7	CIERA BANK	327855	
ok		Full Service	3541979	HICKORY CREEK BRANCH	3970 FM-2181, SUITE 100	HICKORY CREEK	TX	75065	DENTON	UNITED STATES	418897	4	CIERA BANK	327855	

Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders **Exhibit B**
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015			Securities holders not listed in 3(1)(a) through 3(1)(c) that had own more with power to vote during the fiscal year ending 12-31-2014	
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**
Cecilia Ann Peavy Hindman Dallas, TX	USA	8,752 2.15% Common	**NONE**	
Stanley H. Peavy, III Irrev Trust Cecilia Ann Peavy, Trustee Dallas, TX	USA	14,000 3.44% Common		
Erin Colleen Hindman, Minor Cecilia Ann Peavy, Guardian Dallas, TX	USA	260 .06% Common		
Mia Bridget Hindman Cecilia Ann Peavy, Guardian Dallas, TX	USA	260 .06% Common		
Total Cecilia Peavy Hindman		**23,272 5.71% Common**		

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Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders **Exhibit B**
(1)(a)(b)(c) and (2)(a)(b)(c)

Current securities holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2015					Securities holders not listed in 3(1)(a) through 3(1)(c) that had own more with power to vote during the fiscal year ending 12-31-2014	
(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**			**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**
Richard Kyle Peavy Graham, TX,	USA	9,348	2.30%	Common		
Cecilia Ann Peavy Irrev Trust, Richard Kyle Peavy, Trustee Dallas, TX	USA	14,000	3.44%	Common		
, Brian Fenno Peavy Irrev Trust, Richard Kyle Peavy, Stanley H. Peavy, III and Cecila Peavy Hindman, Trustees Graham, TX	USA	14,000	3.44%	Common		
Total Richard Kyle Peavy		**37,348**	**9.18%**	**Common**		

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First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders **Exhibit B**
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(1)(a) Name City, State, Country	**(1)(b) Country of Citizenship or Incorporation**	**(1)(c) Number and Percentage of Each Class of Voting Securities**	**(2)(a) Name City, State, Country**	**(2)(b) Country of Citizenship or Incorporation**
Stanley H. Peavy, III Graham, TX	USA	10,858 2.67% Common		
Richard Kyle Peavy, Irrev Trust, Stanley H. Peavy III, Trustee Graham, TX	USA	14,000 3.44% Common		
Ivy Challen Peavy, Minor Stanley H. Peavy, III, Guardian Graham, TX	USA	260 .06% Common		
Stanley H. Peavy, IV, Minor Stanley H. Peavy, III, Guardian Graham, TX	USA	260 .06% Common		
Total Stanley H. Peavy, III		**25,378 6.23% Common**		

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Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders **Exhibit B**
(1)(a)(b)(c) and (2)(a)(b)(c)

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(1)(a) **Name** **City, State, Country**	**(1)(b)** **Country of Citizenship or Incorporation**	**(1)(c)** **Number and Percentage of Each Class of Voting Securities**	**(2)(a)** **Name** **City, State, Country**	**(2)(b)** **Country of Citizenship or Incorporation**
Charles A. Rosebrough, III Graham, TX	USA	29,117 7.16% Common		
Nancy King Rosebrough Graham, TX	USA	28,511 7.00% Common		
Jane R. Gilcrease Fort Worth, TX	USA	7,939 1.95% Common		
Jane R. Gilcrease, Irrev Trust C.A. Rosebrough, IV., Trustee Fort Worth, TX	USA	7,250 1.78% Common		
Charles A. Rosebrough, IV Fort Worth, TX	USA	7,938 1.95% Common		
C.A. Rosebrough, IV., Irrev Trust Mary Rosebrough, Trustee Fort Worth, TX	USA	7,250 1.78% Common		
Mary Rosebrough Fort Worth, TX	USA	7,938 1.95% Common		

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Form FR Y-6
First Graham Bancorp, Inc.
Fiscal Year Ending December 31, 2015

Report Item 3: Securities holders **Exhibit B**
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(1)(a) **Name** **City, State, Country**	**(1)(b)** **Country of Citizenship or Incorporation**	**(1)(c)** **Number and Percentage of Each Class of Voting Securities**	**(2)(a)** **Name** **City, State, Country**	**(2)(b)** **Country of Citizenship or Incorporation**
Mary Rosebrough, Irrev Trust Jane Gilcrease, Trustee Fort Worth, TX	USA	7,250 1.78% Common		
Total Rosebrough		**103,193 25.36% Common**		
Bruce Stephens Graham, TX	USA	46,658 11.47% Common		
Total Bruce Stephens		**46,658 11.47% Common**		

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Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

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(1) **Name & Address (City, State, Country)**	(2) **Principal Occupation if other than with Holding Company**	(3)(a) **Title & Position with Holding Company**	(3)(b) **Title and Position with Subs.**	(3)(c) **% of Voting Shares in Holding Co.**	(4)(a) **Title & Position with Other Businesses**	(4)(b) **% of Voting Sec. in Subs.**	(4)(c) **List names of other Companies (includes partnerships) if 25% or more of voting securities are held**
Bruce Stephens	Rancher	Chairman, Pres, Director	Chairman, Director	11.47%		None	
Graham, TX USA			(Ciera Bank)		Pres		98%
			Pres, Director		M-B Co of Graham	None	M-B Co of Graham
			(First in Graham)		Graham, TX USA		
			Pres, Director		Pres		34%
			(First Gr Stat)		Graham Rathole, Inc	None	Graham Rathole, Inc
					Graham, TX USA		
					Pres		50%
					Stepco Transp, Inc.	None	Stepco Transp, Inc.
					Graham, TX USA		
					Partner		100%
					B & B Fertilizer	None	B & B Fertilizer
					Graham, TX USA		
					Sec-Treas		33%
					RBS Investments, Inc.	None	RBS Investments, Inc.
					Graham, TX USA		
					Pres		30%
					Oliver Pharmacy, Inc.	None	Oliver Pharmacy, Inc.
					Graham, TX USA		
Ronald Stephens	Attorney	N/A	N/A	0.67%	Pres		25%
Graham, Tx USA					Wes Mor Drilling, Inc.	None	Wes Mor Drilling, Inc.
(Father of Bruce)					Graham, TX USA		

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

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Drake Stephens	Trucking	N/A	N/A	1.31%	VP	None	33%
Graham, TX USA					RBS Invstments, Inc.		RBS Invstments, Inc.
(Brother of Bruce)					VP		33%
					Graham Rathole, Inc.	None	Graham Rathole, Inc.
Jain Ranft							
Graham, TX USA	Office Manager	N/A	N/A	0.69%	VP	None	33%
(Sister of Bruce)					RBS Invstments, Inc.		RBS Invstments, Inc.
					Graham, TX USA		
					VP		33%
					Graham Rathole, Inc.	None	Graham Rathole, Inc.
					Graham, TX USA		
Kara Rariden	Attorney	N/A	N/A	0.98%	N/A	None	N/A
Fort Worth, TX USA							
(Daughter of Bruce)							
Paige Jensen	Homemaker	N/A	N/A	0.49%	Partner		33%
Overland Park, KS USA					Step Den Associates	None	Step Den Associates
(Daughter of Bruce)					Graham, TX USA		
Total Stephens Family							
Ownership 15.61%							

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

AMENDED
JUL 22 2016

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Kyle Peavy	Banker	VP, Director	EVP	2.30%	Partner	None	25%
Graham, TX USA			(Ciera Bank)		DAP Partnership		DAP Partnership
(Son of SH Peavy, Jr.)			VP		Graham, TX USA		
			(First in Graham)				
			VP				
			(First Gr Statutory)				
Cecilia Peavy Hindman Irrev	Banker	VP, Director	EVP	3.44%	Partner	None	25%
Trust, **Kyle Peavy**, Trstee			(Ciera Bank)		DAP Partnership		DAP Partnership
Graham, TX USA			VP		Graham, TX USA		
(Son of SH Peavy, Jr.)			(First in Graham)				
			VP				
			(First Gr Statutory)				
Brian Peavy, Irrevocable	Banker	VP, Director	EVP	3.44%	Partner	None	25%
Trust, **Kyle Peavy**, Trustee			(Ciera Bank)		DAP Partnership		DAP Partnership
Graham, TX USA			VP		Graham, TX USA		
(Son of SH Peavy, Jr.)			(First in Graham)				
			VP				
			(First Gr Statutory)				

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

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Emily Peavy Bryant	Registered Nurse	N/A	N/A	0.06%	N/A	None	N/A
San Marcos, TX USA							
(Daughter of Kyle)							
Preston Peavy	Police Officer	N/A	N/A	0.06%	N/A	None	N/A
Sachse, TX USA							
(Son of Kyle)							
Phillip Peavy	Student	N/A	N/A	0.06%	N/A	None	N/A
Lubbock, TX USA							
(Son of Kyle)							
Stanley H. Peavy, Jr.	Investor	N/A	N/A	2.93%	Pres	None	100%
Graham, TX USA					SH Peavy Company		SH Peavy Company
(Father of Kyle, Brian,					Graham, TX USA		
Stanley H. Peavy, III and							
Cecilia Peavy Hindman)							
Sandra Peavy	Homemaker	N/A	N/A	0.86%	N/A	None	N/A
Graham, TX USA							
(Mother of Kyle, Brian,							
Stanley H. Peavy, III and							
Cecilia Peavy Hindman)							

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

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Stanley H. Peavy, III	Attorney	N/A	Director	2.67%	Owner		100%
Graham, TX USA			(Ciera Bank)		Peavy Law Firm	None	Peavy Law Firm
(Son of S H Peavy, Jr.							
Kyle Peavy, Irrev Trust,	Attorney	N/A	Director	3.44%	Owner		100%
Stanley H. Peavy, III, Trstee			(Ciera Bank)		Peavy Law Firm	None	Peavy Law Firm
Graham, TX USA					Graham, TX USA		
Stanley H. Peavy, IV.	Minor Student	N/A	N/A	0.06%	N/A	None	N/A
Graham, TX USA							
(Son of SH Peavy III)							
Ivy Peavy	Minor Student	N/A	N/A	0.06%	N/A	None	N/A
Graham, TX USA							
(Daughter of SH Peavy III)							
Cecilia Peavy Hindman	Attorney	N/A	N/A	2.15%	N/A	None	N/A
Dallas, TX USA							
(Son of S H Peavy, Jr.)							

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

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First Graham Bancorp, Inc.
Graham, Texas
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Stanley H. Peavy, III, Irrev	Attorney	N/A	N/A	3.44%	N/A	None	N/A
Trust, **Cecilia Hindman**, Trste							
Dallas, TX USA							
(Daughter of SH Peavy, Jr.)							
Erin Hindman	Minor Student	N/A	N/A	0.06%	N/A	None	N/A
Dallas, TX USA							
(Daughter of Cecilia)							
Mia Bridget Hindman	Minor Student	N/A	N/A	0.06%	N/A	None	N/A
Dallas, TX USA							
(Daughter of Cecilia)							
Brian F. Peavy	Rancher	N/A	N/A	1.14%	N/A	None	N/A
Graham, TX USA							
(Son of SH Peavy, Jr.)							
Total Peavy Family							
Ownership 26.23%							

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

AMENDED
JUL 22 2016

(1) **Name & Address (City, State, Country)**	(2) **Principal Occupation if other than with Holding Company**	(3)(a) **Title & Position with Holding Company**	(3)(b) **Title and Position with Subs.**	(3)(c) **% of Voting Shares in Holding Co.**	(4)(a) **Title & Position with Other Businesses**	(4)(b) **% of Voting Sec. in Subs.**	(4)(c) **List names of other Companies (includes partnerships) if 25% or more of voting securities are held**
Charles A. Rosebrough, III	Rancher, Oil & Gas Prod	VP, Direc tor	Director	7.16%	President	None	100%
			(Ciera Bank)		Graham Source Corp		Graham Source Corp, LTD
			VP		Graham, TX USA		
			(First in Graham)		Partner		41%
			VP		Tarrant Oil & Gas Prod	None	Tarrant Oil & Gas Producers
			(First Gr Statutory)		Graham, TX USA		
					Owner		50%
					KRP FW 2014, LLC	None	KRP FW 2014, LLC
					Graham, TX USA		
					Owner		50%
					GSGT Aviation, LLC	None	GSGT Aviation, LLC
					Graham, TX USA		
Nancy King Rosebrough	Homemaker	N/A	N/A	7.00%	N/A	None	N/A
Graham, TX USA							
(Wife of Charles , III)							
Jane R. Gilcrease	Homemaker	N/A	N/A	1.95%	Owner	None	50%
Fort Worth, TX USA	Event Coordinator				809 @ Vickery		809 @ Vickery
(Daughter of Charles III and Nancy)					Ft Worth, TX USA		

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

AMENDED
JUL 22 2016

(1) **Name & Address (City, State, Country)**	(2) **Principal Occupation if other than with Holding Company**	(3)(a) **Title & Position with Holding Company**	(3)(b) **Title and Position with Subs.**	(3)(c) **% of Voting Shares in Holding Co.**	(4)(a) **Title & Position with Other Businesses**	(4)(b) **% of Voting Sec. in Subs.**	(4)(c) **List names of other Companies (includes partnerships) if 25% or more of voting securities are held**
Mary Rosebrough, Irrev Tr,	Homemaker	N/A	N/A	1.78%	Co-Owner	None	50%
Jane Gilcrease, Trustee	Event Coordinator				809 @ Vickery		809 @ Vickery
Fort Worth, TX USA					Ft Worth, TX USA		
(Daughter of Charles III and							
Nancy)							
Mary Rosebrough	Homemaker	N/A	N/A	1.95%	Co-Owner	None	50%
Fort Worth, TX USA	Event Coordinator				809 @ Vickery		809 @ Vickery
(Daughter of Charles III and					Ft Worth, TX USA		
Nancy)							
CA Rosebrough, IV Irrev Tr,	Homemaker	N/A	N/A	1.78%	Co-Owner	None	50%
Mary Rosebrough, Trustee	Event Coordinator				809 @ Vickery		809 @ Vickery
Fort Worth, TX USA					Ft Worth, TX USA		
(Daughter of Charles III and							
Nancy)							
Charles A. Rosebrough, IV.	Banker	N/A	Vice President	1.95%	N/A	None	N/A
Fort Worth, TX USA			Sr Credit Analyst				
(Son of Charles III and			(Ciera Bank)				
Nancy Rosebrough)							

Report Item 4 : Insiders
(1), (2), (3)(a)(b)(c), (4)(a)(b)(c)

Form FR Y-6
First Graham Bancorp, Inc.
Graham, Texas
Fiscal Year Ending December 31, 2015

AMENDED
JUL 22 2016

(1) **Name & Address (City, State, Country)**	(2) **Principal Occupation if other than with Holding Company**	(3)(a) **Title & Position with Holding Company**	(3)(b) **Title and Position with Subs.**	(3)(c) **% of Voting Shares in Holding Co.**	(4)(a) **Title & Position with Other Businesses**	(4)(b) **% of Voting Sec. in Subs.**	(4)(c) **List names of other Companies (includes partnerships) if 25% or more of voting securities are held**
Jane Gilcrease, Irrev Trust,	Banker	N/A	Vice President	1.78%	N/A	None	N/A
Charles A Rosbrough IV Trste			Sr Credit Analyst				
Fort Worth, TX USA			(Ciera Bank)				
(Son of Charles III and							
Nancy Rosebrough)							
Total Rosebrough Family							
Ownership 25.36%							
Donna Goray	Banker	Secretary- Treasurer	CEO/CFO	0.02%	N/A	None	N/A
Graham, TX USA			(Ciera Bank)				
			Sec- Treas				
			(First in Graham)				
			Sec-Treas				
			First Graham Statu)				

FIRST GRAHAM BANCORP, INC.
AND SUBSIDIARIES

CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2015 AND 2014

Davis Kinard & Co, PC
CERTIFIED PUBLIC ACCOUNTANTS
Quality. Integrity. Knowledge.

First Financial Bank Building
400 Pine Street, Ste. 600, Abilene, TX 79601
325.672.4000 / 800.588.2525 / f: 325.672.7049
www.dkcpa.com

Report of Independent Auditors

To the Shareholders of
First Graham Bancorp, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of First Graham Bancorp, Inc. and Subsidiaries which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes to the 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 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 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 consolidated 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 the consolidated 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 above present fairly, in all material respects, the financial position of First Graham Bancorp, Inc. and Subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of First Graham Bancorp, Inc. and Subsidiaries as of December 31, 2014, were audited by other auditors whose report dated March 11, 2015, expressed an unmodified opinion on those statements.

Davis Kinard & Co, PC

Certified Public Accountants

Abilene, Texas

March 2, 2016

FIRST GRAHAM BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and due from banks	$ 46,575,930	$ 25,831,291
Time deposits with banks	490,000	4,165,000
Securities available for sale	53,607,713	88,283,525
Loans	383,651,739	346,170,250
Allowance for loan losses	(7,347,600)	(6,375,911)
Net loans	376,304,139	339,794,339
Premises and equipment, net	10,582,994	10,044,353
Cash value life insurance	13,620,211	13,299,688
Foreclosed assets	2,728,229	2,744,674
Goodwill	5,977,855	5,977,855
Restricted investments, carried at cost	2,784,619	1,679,619
Accrued interest receivable	2,045,542	2,120,082
Other assets	997,945	952,825
Total assets	$ 515,715,177	$ 494,893,251
LIABILITIES AND SHAREHOLDERS' EQUITY		
Demand deposits	$ 148,274,870	$ 159,901,836
Savings, NOW and money market deposits	149,595,683	139,025,616
Time deposits	109,525,399	127,349,346
Total deposits	407,395,952	426,276,798
Advances from Federal Home Loan Bank	37,110,966	219,311
Note payable	348,429	705,572
Guaranteed preferred beneficial interest in junior subordinated debentures	6,186,000	6,186,000
Accrued interest payable	185,670	229,786
Other liabilities	3,722,959	3,335,919
Total liabilities	454,949,976	436,953,386
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Capital stock, $.50 par value, 1,500,000 shares authorized, 411,186 issued, with 4,260 shares held in treasury in 2015 and 2014	205,593	205,593
Capital surplus	10,221,803	10,221,803
Retained earnings	49,365,041	46,636,262
Accumulated other comprehensive income	1,823,294	1,726,737
	61,615,731	58,790,395
Treasury stock, at cost	(850,530)	(850,530)
Total shareholders' equity	60,765,201	57,939,865
Total liabilities and shareholders' equity	$ 515,715,177	$ 494,893,251

The accompanying notes are an integral part of this statement.

FIRST GRAHAM BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Interest income:		
Loans (including fees)	$ 21,740,108	$ 19,740,871
Interest on investment securities:		
Taxable	254,441	613,575
Tax-exempt	1,623,411	1,839,661
Other restricted investments	61,345	74,880
Deposits with other financial institutions	46,122	102,094
Total interest income	23,725,427	22,371,081
Interest expense:		
Deposits	1,316,599	1,613,591
Other borrowings	262,406	210,486
Total interest expense	1,579,005	1,824,077
Net interest income	22,146,422	20,547,004
Provision for loan losses	(1,434,303)	(875,500)
Net interest income after provision for loan losses	20,712,119	19,671,504
Other income:		
Trust income	374,851	418,372
Service charges on deposit accounts	757,256	906,025
Other service charges and fees	783,928	835,326
Net realized gain (loss) on securities	41,940	-
Earnings on cash value life insurance	410,163	464,022
Rental income	469,105	406,772
Other	55,356	64,251
Total other income	2,892,599	3,094,768
Other expense:		
Salaries and employee benefits	8,490,545	7,760,452
Equipment and occupancy expense	2,413,303	2,213,181
Computer services	853,919	658,133
Legal and professional fees	487,632	560,821
Other	2,730,114	2,533,377
Total other expense	14,975,513	13,725,964
Income before income taxes	8,629,205	9,040,308
Income tax expense	-	7,693
Net income	$ 8,629,205	$ 9,032,615

FIRST GRAHAM BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Net income	$ 8,629,205	$ 9,032,615
Other comprehensive income:		
Change in unrealized gain (loss) on securities available for sale	138,497	1,299,268
Adjustment for (gains) losses realized on securities available for sale and included in net income	(41,940)	-
Total other comprehensive income	96,557	1,299,268
Total comprehensive income	$ 8,725,762	$ 10,331,883

FIRST GRAHAM BANCORP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, December 31, 2013	$ 205,593	$10,221,803	$ 43,325,145	$ 427,469	$ (30)	$ 54,179,980
Net income	-	-	9,032,615	-	-	9,032,615
Unrealized gain on securities available for sale	-	-	-	1,299,268	-	1,299,268
Reclassification adjustment for loss included in net income	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	(1,001,363)	(1,001,363)
Sale of treasury stock	-	-	-	-	150,863	150,863
Distributions to shareholders ($14.00 per share)	-	-	(5,721,498)	-	-	(5,721,498)
Balance, December 31, 2014	205,593	10,221,803	46,636,262	1,726,737	(850,530)	57,939,865
Net income	-	-	8,629,205	-	-	8,629,205
Unrealized gain on securities available for sale	-	-	-	138,497	-	138,497
Reclassification adjustment for gain included in net income	-	-	-	(41,940)	-	(41,940)
Distributions to shareholders ($14.50 per share)	-	-	(5,900,426)	-	-	(5,900,426)
Balance, December 31, 2015	$ 205,593	$10,221,803	$ 49,365,041	$ 1,823,294	$ (850,530)	$ 60,765,201

FIRST GRAHAM BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Net income	$ 8,629,205	$ 9,032,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	549,619	572,760
Provision for loan losses	1,434,303	875,500
(Gain) loss on sales of foreclosed assets	23,195	(38,734)
Premium amortization net of discount accretion on securities	653,340	838,335
Net realized (gain) loss on securities	(41,940)	-
(Gain) loss on sale of premises and equipment	176,198	38,132
Increase in cash value life insurance	(320,523)	(363,752)
(Increase) decrease in accrued interest receivable	74,540	(89,934)
(Increase) decrease in other assets	(45,120)	(1,219,272)
Increase (decrease) in accrued interest payable	(44,116)	(129,119)
Increase (decrease) in other liabilities	387,040	888,489
Total adjustments	2,846,536	1,372,405
Net cash provided by operating activities	11,475,741	10,405,020
Cash flows from investing activities:		
Net decrease in interest-bearing deposits in banks	3,675,000	7,105,001
Proceeds from sales and maturities of available-for-sale securities	114,979,324	92,926,175
Purchase of available-for-sale securities	(80,818,355)	(95,020,903)
Net (increase) decrease in restricted investments, carried at cost	(1,105,000)	(326,300)
Net (increase) decrease in loans	(38,563,937)	(33,491,334)
Capital expenditures	(1,264,458)	(413,797)
Proceeds from sales of foreclosed assets	613,084	258,560
Net cash used by investing activities	(2,484,342)	(28,962,598)
Cash flows from financing activities:		
Net increase (decrease) in demand deposits	(11,626,966)	14,916,476
Net increase (decrease) in savings, NOW and money market deposits	10,570,067	(5,901,341)
Net decrease in time deposits	(17,823,947)	(21,131,108)
Repayment of notes payable	(357,143)	(458,374)
Federal Home Loan Bank advances and repayments	36,891,655	-
Purchase of treasury stock	-	(1,001,363)
Sale proceeds from treasury stock	-	150,863
Distributions to shareholders	(5,900,426)	(5,721,498)
Net cash provided (used) by financing activities	11,753,240	(19,146,345)
Net increase (decrease) in cash and due from banks	20,744,639	(37,703,923)
Cash and due from banks, beginning of year	25,831,291	63,535,214
Cash and due from banks, end of year	$ 46,575,930	$ 25,831,291

The accompanying notes are an integral part of this statement.

1. **Summary of significant accounting policies**

The accounting policies of First Graham Bancorp, Inc. (the Company) and subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The Company was incorporated for the purpose of becoming a bank holding company and provides full banking services.

Ciera Bank generates commercial (including agricultural), mortgage and consumer loans and receives deposits from customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and the surrounding areas.

Consolidation and ownership - The consolidated financial statements include the accounts of First Graham Bancorp, Inc. and its wholly owned subsidiaries, 1st in Graham Co. and Ciera Bank. All the capital stock of First Security Bank, N.A. (FSB) and West Side Bank and Trust (WSBT) was merged into First National Bank in Graham (FNB) prior to conversion to a state chartered bank. FNB made application with the Texas Department of Banking to become a Texas state chartered bank. The application was approved and conversion was as of December 6, 2013. Upon conversion the name was changed to Ciera Bank. All material intercompany accounts and transactions have been eliminated upon consolidation.

First Graham Statutory Trust I (Trust), a statutory trust created under the laws of the state of Delaware, is not consolidated and the investment in the trust is carried in other assets at $186,000, in accordance with authoritative guidance. The Trust is a wholly-owned trust subsidiary of the Company. (See Note 9.)

Restrictions on cash and due from banks - Under regulations promulgated by the Federal Reserve Board, the Company was required to maintain average reserve balances with the Federal Reserve Bank. The amounts of those reserve balances were $7,173,000 and $0 as of December 31, 2015 and 2014, respectively.

Time deposits with banks - Interest-bearing deposits in banks have maturities longer than three months and are carried at cost.

Investment securities - Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as available for sale or held to maturity. Securities available for sale are those securities which the Company may decide to sell prior to their maturity in response to change in interest rates, liquidity needs, or for other purposes. Securities available for sale are reported at fair value. The net unrealized gain or loss on securities available for sale is reported as accumulated other comprehensive income, a separate component of shareholders' equity, until realized. Securities held to maturity are securities which the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost. Management is no longer classifying security purchases as held to maturity.

Amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to call or maturity, whichever is earlier, or in the case of mortgage-backed securities, over the estimated life of the securities, computed by the interest method. The Company believes amortizing to the call date rather than to maturity date is insignificant to the financial statements as a whole. 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. Gains and losses on the sale of securities are determined on a trade date basis, using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs 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 conditions 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.

The Company's investment portfolio consists of traditional investments, substantially in U.S. Agency securities, obligations of U.S. government sponsored enterprises and agencies, mortgage pass-through securities, corporate stock, mutual funds and general obligation municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company validates quarterly, on a sample basis, prices supplied by the independent pricing services by comparison to prices obtained from other third party sources.

Loans and allowance for loan losses - Ciera Bank grants commercial, agricultural, residential and consumer loans to customers primarily in Young, Jack, Palo Pinto, Stephens, Denton, Tarrant, Parker, Collin and Dallas counties and surrounding areas. Although the Bank has a diversified loan portfolio, their debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses. Interest is recognized over the term of the loan and is accrued on the unpaid principal balance.

The Company has certain lending policies and procedures in place that are designed to maximize loan income with an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis and makes changes as appropriate. Management receives and reviews periodic reports related to loan originations, quality, concentrations, delinquencies, nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions, both by type of loan and geographic location.

Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and effectively. Underwriting standards are designed to determine whether the borrower possesses sound business ethics and practices and to evaluate current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and, secondarily, on the underlying collateral provided by the borrower. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory and include personal guarantees.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. These agricultural loans are based primarily on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most agricultural loans are secured by the agriculture related assets being financed, such as farm land, cattle or equipment and include personal guarantees.

Residential and commercial real estate loans are subject to underwriting standards and processes similar to commercial and agricultural loans. These loans are underwritten primarily based on projected cash flows and, secondarily, as loans secured by real estate. The repayment of real estate loans is generally largely dependent on the successful operation of the property securing the loans, the business conducted on the property securing the loan, or the cash flow of the borrower for residential real estate loans. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's real estate portfolio are generally diverse in terms of type and geographic location. This diversity helps reduce the exposure to adverse economic events that affect any single market or industry. Generally, real estate loans are owner occupied which further reduces the Company's risk.

Consumer loan underwriting utilizes methodical credit standards and analysis to supplement the Company's underwriting policies and procedures. The Company's loan policy addresses types of consumer loans that may be originated and the collateral, if secured, which must be perfected. The relatively small individual dollar amounts of consumer loans that are spread over numerous individual borrowers also minimize the Company's risk.

The allowance consists of specific and general allocation components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The Company performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and assess the overall collectability of those portfolios. The allowance on certain homogeneous loan portfolios is based on aggregated portfolio segment evaluations. Management's periodic evaluation of the adequacy of the allowance is based on the Banks' past loan loss experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's residential and commercial real estate portfolios are comprised primarily of homogeneous loans secured by residential and commercial real estate. The amount of losses incurred in the homogeneous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. The Company estimates how many of the homogeneous loans will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include the loan-to-value, borrower credit score, months since origination, geography and present collection status. The estimate is based on the Company's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors that are not reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment.

The allowance on the remaining portfolio segments (agriculture, commercial and consumer) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, the industry of the obligor, the obligor's liquidity and other financial and qualitative factors. These factors are updated regularly for changes in economic and business conditions. Included in the analysis of these loan portfolios are reserves which are maintained to cover uncertainties that affect the Company's estimate of probable losses including economic uncertainty and large, single defaults.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A further downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan provisions and reductions in income. Additionally, bank regulatory agencies periodically review our allowance for loan losses and could require additions to the loan loss allowance based on their judgment on information available to them at the time of their examination.

Nonperfoming loans are reviewed in accordance with applicable accounting guidance on impaired loans and troubled debt restructurings (TDRs). If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable the scheduled payments of principal or interest will be uncollectible 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 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 for collateral-dependent loans.

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.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

The outstanding balance of residential real estate and real estate secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due. The estimated property value, less costs to sell, is determined utilizing appraisals or broker opinions of the fair value of the collateral.

The outstanding balance of loans within the remaining loan segments (agriculture, commercial and consumer) are charged off no later than the end of the month in which the account becomes 120 days past due. For secured loans, accounts are written down to the collateral value. The fair value of the collateral is estimated by management based on current financial information, inspections and appraisals. For unsecured loans, the outstanding balance is written off.

Loans within all portfolio segments, except consumer, are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. Accrued interest receivable is reversed when a loan is placed on nonaccrual status. Interest collections on nonaccrual loans are applied as principal reductions. These loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans whose contractual terms have been modified in a TDR and are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and repayment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout the remaining lives of the loans.

A troubled debt restructured loan is a loan which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms which have been modified or restructured due to a borrower's financial difficulty include, but are not limited to, a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan would generally be considered impaired.

Indirect lending - The Bank maintains a lending program whereby automobile loans are purchased from various dealers who have entered into agreements to participate. Dealers initiate the loan process and forward the applications to the Bank for approval. The Bank reserves the right to approve or reject the loans, depending on criteria as established by policy. Management believes underwriting standards and established policies are structured to mitigate excessive risk with this type of lending. Consumer and commercial loans that were a result of indirect lending totaled $5,271,681 and $8,931,414 at December 31, 2015 and 2014, respectively.

Premises and equipment - Land is carried at cost and premises and equipment are stated at cost less accumulated depreciation. Gains and losses on sales and retirements are reflected in current operations. Depreciation for financial reporting purposes is computed based on the estimated useful lives of assets using the straight-line method. Costs incurred for maintenance and repair are expensed currently. Depreciation expense for the years ended December 31, 2015 and 2014 was $549,619 and $572,760, respectively.

Bank owned life insurance - Bank owned life insurance (BOLI) represents life insurance on the lives of certain employees and former employees who have provided positive consent allowing the Company to be the beneficiary of such policies. These policies are recorded at their cash surrender value, or the amount that can be realized upon surrender of the policy. Income from these policies and changes in the cash surrender value are recorded in earnings on cash value life insurance under other income.

Other assets - The Company accounts for business combinations under the purchase method of accounting. Tangible and intangible assets and liabilities of the acquired entity are recorded at fair value on the purchase date. Intangible assets with finite useful lives continue to be amortized and goodwill and intangible assets with indefinite lives are not amortized but instead tested for impairment in accordance with authoritative guidance. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In making such determination, the Company evaluates the performance, on an undiscounted basis, of the underlying businesses which gave rise to such amount. In case of impairment, the recorded costs would be written down to fair value on a discounted basis. There was no impairment recorded for the years ended December 31, 2015 or 2014.

Other identifiable intangible assets recorded by the Company represent the future benefit associated with the acquisition of core deposits and are being amortized over three years, utilizing a method that approximates the expected attrition of the deposits.

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its outstanding home loans or 5% of advances from the FHLB. No ready market exists for the FHLB stock, and it has no quoted market value. The stock is carried at $1,727,300 and $622,300 as of December 31, 2015 and 2014, respectively and is included in Restricted investments. FHLB stock is pledged as collateral for FHLB advances. (See Note 7.)

The Company also holds The Independent BankersBank and Federal Reserve stock totaling $325,843 and $731,476, respectively as of December 31, 2015 and 2014. There is no readily determinable fair value and there are contractual restrictions on the sale or transfer of the stocks. These stocks are carried at cost in Restricted investments and evaluated for declines in value.

Foreclosed assets - Assets acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less cost to sell and depreciation is not recorded. Impairment losses on property to be held and used are measured at the amount by which the carrying amount of the property exceeds its fair value and depreciated based on the remaining useful life. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write downs are recorded as a charge to other real estate expense, if necessary, to reduce the carrying value of the property to the lower of cost or fair value minus estimated costs to sell.

Long-term assets - Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Loan origination fees and costs - Fees and costs associated with originating loans are recognized in income generally in the period in which fees were received and/or costs were incurred. Under generally accepted accounting principles, such fees and costs generally are deferred and recognized over the life of the loan as an adjustment of the yield. For the two years presented in the statements of income, management believes not deferring such fees and costs and amortizing them over the life of the related loans does not materially affect the Company's financial position or results of operations.

Loan-servicing rights - The cost of loan-servicing rights acquired is amortized in proportion to, and over the period of, estimated net servicing revenues. When participating interests in loans sold have an average contractual interest rate, adjusted for normal servicing fees, that differs from the agreed yield to the purchaser, gains or losses are recognized equal to the present value of such differential over the estimated remaining life of such loans. The resulting excess servicing fees receivable or deferred servicing revenue is amortized over the estimated life using a method approximating the interest method.

The unamortized cost of loan-servicing rights purchased, the excess servicing fees receivable, and the amortization thereon is periodically evaluated in relation to estimated future net servicing revenues, taking into consideration changes in interest rates, current prepayment rates, and expected future cash flows. The carrying value of the servicing portfolio should be evaluated by estimating the future net servicing income of the portfolio based on management's best estimate of remaining loan lives. The Bank had no loan servicing rights at December 31, 2015 or 2014.

Transfers of assets - The Company accounts for transfers of financial assets by recognizing the financial assets it controls and the liabilities it has incurred, derecognized financial assets when control has been surrendered and derecognized liabilities when extinguished. The statement also distinguishes transfers of financial assets that are sales from transfers of financial assets that are secured borrowings.

Loans held for sale - Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. The Company had no loans held for resale at December 31, 2015 and 2014.

Off-balance-sheet financial instruments - In the ordinary course of business the Bank has entered into off-balance-sheet financial instruments consisting of stand-by letters of credit and commitments on lines of credit. Such financial instruments are recorded in the financial statements when they are funded. Guarantees that are not derivative contracts are to be recorded on the Company's consolidated statement of financial condition at their fair value at inception, in accordance with authoritative guidance. For the two years presented in the consolidated balance sheets, management believes not recording the liability related to guarantees does not materially affect the Company's financial position or results of operations.

Trust services - Assets held by the Company in fiduciary or agency capacities for customers are not included in the accompanying statements of condition, since such items are not assets of the Company. Fees and expenses associated with providing trust services are included in the statements of income.

Profit sharing plan - The Company has a 401-K deferred compensation plan available to all eligible employees. Contributions amounted to $212,399 and $185,645 in 2015 and 2014, respectively, which is included in salaries and employee benefits expense.

Advertising and promotions expense - Advertising and promotion costs are expensed as incurred. Total advertising and promotions expense for the years ended December 31, 2015 and 2014 was $228,587 and $233,212, respectively.

Significant group concentrations of credit risk - Most of the Bank's activities are with customers located in Young, Jack, Palo Pinto, Stephens, Tarrant, Denton, Parker, Collin and Dallas counties and the surrounding areas. Notes 2 and 3 discuss the types of securities the Bank invests in and the types of lending the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The majority of cash and cash equivalents of the Company are maintained with major financial institutions in the United States. As such, interest bearing, non-transaction account deposits with these financial institutions may exceed the amount of insurance provided on such deposits. Management believes that the risk of loss associated with such balances is minimal due to the financial strength of the correspondent banks and counterparty financial institutions. The Company has not experienced any losses in such accounts. In monitoring this risk, the Company periodically evaluates the stability of the financial institutions with which it has deposits. The Company had in excess of $250,000 deposited with one financial institution totaling $845,039 at December 31, 2015.

Federal income taxes - The Company and its subsidiaries have elected S corporation status and, as such, will no longer be liable for federal income taxes. Earnings and losses are included in the personal income tax returns of the shareholders and taxed depending on their personal tax structure. The Company is subject to the State of Texas tax on taxable margin. The margin tax was immaterial for the years ended December 31, 2015 and 2014. The tax is current and does not have a deferred tax component. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012 or Texas state tax examination by tax authorities for years before 2011. The Company recognizes interest accrual on and penalties related to unrecognized tax positions in tax expense. During the year ended December 31, 2015 the Company recognized no interest and penalties.

Cash and cash equivalents - For purposes of presentation in the statements of cash flows, cash and cash equivalents include cash on hand, and amounts due from banks, including interest-bearing deposits in banks with an original maturity of three months or less.

Compensated absences - Compensated absences for short-term disability pay have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Use of estimates - The preparation of financial statements in conformity with U.S. 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 income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Date of management's review of subsequent events - Management has evaluated subsequent events through March 2, 2016, the date which the financial statements were available to be issued.

Recently issued authoritative accounting pronouncements - In January 2014, the FASB issued ASU 2014-02 *Intangibles – Goodwill and Other.* The amendments in this update allow an accounting alternative for the subsequent measurement of goodwill. An entity within the scope of the amendments can elect an accounting alternative to amortize goodwill on a straight-line basis over ten years, or less than ten years if the entity demonstrates that another useful life is more appropriate. The entity will still need to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount. The accounting alternative is optional but once elected it should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill in annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual financial statements have not yet been made available for issuance. The Company has not elected this alternative as of the year ended December 31, 2015.

In January 2014, the FASB issued ASU 2014-04 *Receivables – Troubled Debt Restructurings by Creditors: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The objective of this guidance is to reduce diversity in practice by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. This guidance clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendment requires annual disclosures of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments are effective for other than public business entities for annual periods beginning after December 15, 2014. This guidance is not expected to have a significant effect on the financial statements of the Company.

In May 2014, the FASB and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was issued in three parts: (1) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers and Other Assets and Deferred Costs – Contracts with Customers"; (2) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables"; and (3) Section C, "Background Information and Basis for Conclusions."

ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. This standard will help with improved comparability of revenue recognition practices across entities, industries, jurisdiction, and capital markets. Given the broad applicability and potentially significant ramifications of the guidance in the ASU, the ASU is not effective until 2017 for calendar end public entities, which includes not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or an over the counter market and in 2018 for all other entities.

In June 2014, FASB issued ASU No. 2014-11 *Transfers and Servicing (Topic 860).* This guidance requires that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, ASU 2014-11 requires separate accounting for repurchase financings, which entails the transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty. ASU 2014-11 requires entities to disclose certain information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements. In addition, it requires disclosures related to collateral, remaining contractual tenor and of the potential risks associated with repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. ASU No. 2014-11 was effective for the Company on January 1, 2015 and was not expected to have a significant impact on the Company's financial statements.

In August 2014, FASB issued ASU No. 2014-14 *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. FASB amended its authoritative guidance related to foreclosed home loans with government backed guarantees. The amendment requires lenders to measure the unpaid principal and interest they expect to recover through the loan guarantee. The loan should be removed from the lender's asset total and added to the balance sheet as a new receivable. The amendments will become effective for annual reporting periods ending after December 15, 2015 and is not expected to have a significant impact on the Company's consolidated financial statements.

In 2015, FASB eliminated from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to show the item separately in the income statement, net of tax, after income from continuing operations. The new guidance is effective for the Company beginning January 1, 2016, though early adoption is permitted, and is not expected to have a significant impact on the Company's 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 Company is evaluating the potential impact of the amendment on the financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future financial statements.

Reclassification - Certain reclassifications have been made to the 2014 financial statements to conform to 2015 financial statement presentation. The reclassifications do not affect net income or shareholders' equity.

2. Investment securities

The amortized cost and estimated market value of securities as shown in the consolidated financial statements at December 31, 2015 and 2014 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Available-for-sale securities				
2015				
U.S. Agency securities	$ 1,000,000	$ -	$ 251	$ 999,749
Mortgage-backed securities	3,892,178	62,938	102,957	3,852,159
State and municipal securities	46,892,241	1,885,839	22,275	48,755,805
Total	$ 51,784,419	$ 1,948,777	$ 125,483	$ 53,607,713
2014				
U.S. Agency securities	$ 1,000,000	$ -	$ 5,925	$ 994,075
Mortgage-backed securities	23,167,529	107,676	588,270	22,686,935
State and municipal securities	58,919,493	2,386,840	122,199	61,184,134
Mutual fund	3,469,766	-	51,385	3,418,381
Total	$ 86,556,788	$ 2,494,516	$ 767,779	$ 88,283,525

Securities at amortized cost of approximately $29,713,877 at December 31, 2015 and $31,082,126 at December 31, 2014 were pledged to secure public deposits and for other purposes required or permitted by law. Estimated market values of pledged securities were $30,895,186 and $32,219,466 at December 31, 2015 and 2014, respectively.

The amortized cost and estimated market value of securities at December 31, 2015, by contractual maturity and expected maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without penalty.

	Available for Sale	
	Amortized Cost	Estimated Market Value
Due in one year or less	$ 1,287,160	$ 1,291,472
Due one to five years	8,195,624	8,344,557
Due five to ten years	24,851,609	25,958,162
Due after ten years	13,557,848	14,161,363
	47,892,241	49,755,554
Mortgage-backed securities	3,892,178	3,852,159
	$ 51,784,419	$ 53,607,713

Proceeds from sales of available-for-sale securities during 2015 were $106,252,412. Gross gains of $489,040 and gross losses of $447,100 were realized on sales. There were no sales of available-for-sale securities during 2014.

Information pertaining to securities with gross unrealized losses at December 31, 2015 and 2014 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	
	Gross Unrealized Losses	Market Value	Gross Unrealized Losses	Market Value
Available-for-sale securities				
2015				
U.S. Agency securities	$ 251	$ 999,749	$ -	$ -
Mortgage-backed securities	-	-	102,957	2,388,455
State and municipal securities	1,252	795,608	21,023	2,431,891
	$ 1,503	$ 1,795,357	$ 123,980	$ 4,820,346
2014				
U.S. Agency securities	$ 5,925	$ 994,075	$ -	$ -
Mortgage-backed securities	588,270	18,778,178	-	-
State and municipal securities	122,199	6,333,596	-	-
Mutual fund	-	-	51,385	3,418,381
	$ 716,394	$ 26,105,849	$ 51,385	$ 3,418,381

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.

At December 31, 2015, the 11 debt securities with unrealized losses have depreciated approximately 1.86% from the Company's amortized cost basis. These securities are guaranteed by the U.S. Government, other governments, or municipalities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. 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.

3. **Loans**

Loans at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Residential real estate	$ 136,318,096	$ 98,885,493
Agriculture	12,354,138	12,288,417
Commercial real estate	149,839,258	159,804,451
Commercial	61,509,738	53,510,496
Consumer	23,528,260	21,085,375
Overdrafts	102,249	596,018
Total loans	383,651,739	346,170,250
Allowance for loan losses	(7,347,600)	(6,375,911)
Net loans	$ 376,304,139	$ 339,794,339

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2015:

	Residential Real Estate	Agriculture	Commercial Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 1,519,070	$ 121,613	$ 3,725,749	$ 694,673	$ 314,806	$ 6,375,911
Provision	743,323	2,082	225,055	307,081	156,762	1,434,303
Recoveries	12,952	-	-	105,965	23,467	142,384
Charge-offs	(34,666)	-	(172,796)	(154,146)	(243,390)	(604,998)
Ending balance	$ 2,240,679	$ 123,695	$ 3,778,008	$ 953,573	$ 251,645	$ 7,347,600
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ 194,946	$ 6,063	$ -	$ 201,009
Ending balance allocated to loans collectively evaluated for impairment	$ 2,240,679	$ 123,695	$ 3,583,062	$ 947,510	$ 251,645	$ 7,146,591
Loans receivable						
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ 3,210,060	$ 24,254	$ -	$ 3,234,314
Ending balance allocated to loans collectively evaluated for impairment	136,318,096	12,354,138	146,629,198	61,485,484	23,630,509	380,417,425
Ending balance	$136,318,096	$ 12,354,138	$ 149,839,258	$ 61,509,738	$ 23,630,509	$ 383,651,739

The following table sets forth information regarding the activity in the allowance for loan losses for the year ended December 31, 2014:

	Residential Real Estate	Agriculture	Commercial Real Estate	Commercial	Consumer	Total
Allowance for loan losses						
Beginning balance	$ 1,168,297	$ 174,178	$ 3,295,540	$ 616,904	$ 309,514	$ 5,564,433
Provision	345,081	(52,565)	430,209	55,657	97,118	875,500
Recoveries	5,692	-	-	59,903	18,778	84,373
Charge-offs	-	-	-	(37,791)	(110,604)	(148,395)
Ending balance	$ 1,519,070	$ 121,613	$ 3,725,749	$ 694,673	$ 314,806	$ 6,375,911
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ 17,213	$ -	$ 17,213
Ending balance allocated to loans collectively evaluated for impairment	$ 1,519,070	$ 121,613	$ 3,725,749	$ 677,460	$ 314,806	$ 6,358,698

Loans receivable

Ending balance allocated to loans individually evaluated for impairment	$ 563,815	$ 4,237	$ 3,398,362	$ 286,316	$ -	$ 4,252,730
Ending balance allocated to loans collectively evaluated for impairment	98,321,678	12,284,180	156,406,089	53,224,180	21,085,375	341,321,502
Ending balance	$ 98,885,493	$ 12,288,417	$ 159,804,451	$ 53,510,496	$ 21,085,375	$ 345,574,232

The Company monitors credit quality within its portfolio segments based on primary credit quality indicators. All of the Company's loans are evaluated using pass rated or specific allocation as the primary credit quality indicator. The term specific allocation refers to those loans that are internally classified or listed by the Company as special mention, substandard, doubtful or loss. These assets pose an elevated risk and may have a high probability of default or total loss.

The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the rating on credits monthly. Ratings are adjusted to reflect the degree of risk and loss that is felt to be inherent in each credit as of each monthly reporting period. The methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness; however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

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

Pass rated refers to loans that are not considered criticized. In addition to this primary credit quality indicator, the Company uses other credit quality indicators for certain types of loans.

The following table sets forth information regarding the internal classification of the loan portfolio:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2015						
Residential real estate	$ 135,717,398	$ -	$ 600,698	$ -	$ -	$ 136,318,096
Agriculture	12,354,138	-	-	-	-	12,354,138
Commercial real estate	141,531,750	-	8,307,508	-	-	149,839,258
Commercial	61,242,879	-	266,859	-	-	61,509,738
Consumer	23,606,255	-	24,254	-	-	23,630,509
	$ 374,452,420	$ -	$ 9,199,319	$ -	$ -	$ 383,651,739
December 31, 2014						
Residential real estate	$ 98,321,677	$ -	$ 563,816	$ -	$ -	$ 98,885,493
Agriculture	12,284,180	-	4,237	-	-	12,288,417
Commercial real estate	146,907,979	6,911,840	5,984,632	-	-	159,804,451
Commercial	53,231,326	-	279,170	-	-	53,510,496
Consumer	21,052,116	-	33,259	-	-	21,085,375
	$ 331,797,278	$ 6,911,840	$ 6,865,114	$ -	$ -	$ 345,574,232

The following table sets forth information regarding the delinquencies within the loan portfolio:

	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days Still Accruing
December 31, 2015						
Residential real estate	$ 1,424,829	$ 18,010	$ 1,442,839	$ 134,875,257	$ 136,318,096	$ 18,010
Agriculture	-	-	-	12,354,138	12,354,138	-
Commercial real estate	3,741,641	512,349	4,253,990	145,585,268	149,839,258	512,349
Commercial	550,126	24,089	574,215	60,935,523	61,509,738	24,089
Consumer	1,728,590	78,576	1,807,166	21,823,343	23,630,509	37,763
	$ 7,445,186	$ 633,024	$ 8,078,210	$ 375,573,529	$ 383,651,739	$ 592,211
December 31, 2014						
Residential real estate	$ 1,077,054	$ 696,761	$ 1,773,815	$ 97,111,678	$ 98,885,493	$ 179,196
Agriculture	4,237	17,303	21,540	12,266,877	12,288,417	17,303
Commercial real estate	2,368,732	2,710,705	5,079,437	154,725,014	159,804,451	695,196
Commercial	265,492	178,216	443,708	53,066,788	53,510,496	178,216
Consumer	868,527	129,117	997,644	20,087,731	21,085,375	129,117
	$ 4,584,042	$ 3,732,102	$ 8,316,144	$ 337,258,088	$ 345,574,232	$ 1,199,028

The following table sets forth information regarding the nonaccrual status within the loan portfolio:

	2015	2014
Residential real estate	$ -	$ 563,815
Agriculture	-	4,237
Commercial real estate	3,210,060	3,398,362
Commercial	24,254	68,854
Consumer	-	-
	$ 3,234,314	$ 4,035,268

The following table sets forth information regarding impaired loans with a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2015					
Residential real estate	$ -	$ -	$ -	$ 281,908	$ -
Agriculture	-	-	-	2,119	-
Commercial real estate	3,210,060	4,223,063	194,946	3,304,211	-
Commercial	24,254	58,799	6,063	155,285	
Consumer	-	-	-	-	-
	$ 3,234,314	$ 4,281,862	$ 201,009	$ 3,743,523	$ -
December 31, 2014					
Residential real estate	$ 563,815	$ 623,277	$ -	$ 440,870	$ 2,407
Agriculture	4,237	9,539	-	6,937	-
Commercial real estate	3,398,362	3,922,240	-	3,499,271	-
Commercial	286,316	316,123	17,213	253,017	1,177
Consumer	-	-	-	-	-
	$ 4,252,730	$ 4,871,179	$ 17,213	$ 4,200,095	$ 3,584

At December 31, 2015 the Company had impaired loans totaling $916,484 with no related allowance. At December 31, 2014 the Company had impaired loans totaling $3,966,414 with no related allowance. Loans modified as troubled debt restructurings within the previous twelve months ended December 31, 2015 and December 31, 2014 totaled $0 and $217,462, respectively.

Loans with carrying amounts of $619,834 and $765,197 were transferred to foreclosed assets in 2015 and 2014, respectively. The Company has no commitments to loan additional funds to the borrowers of impaired or nonaccrual loans.

4. **Premises and equipment**

An analysis of premises and equipment at December 31, 2015 and 2014 follows:

	2015	2014
Land	$ 3,679,503	$ 3,679,503
Land held for development	366,431	366,431
Building and improvements	10,426,103	10,626,666
Furniture and equipment	4,785,764	4,536,307
Construction in process	1,022,760	80,349
	20,280,561	19,289,256
Accumulated depreciation and amortization	(9,697,567)	(9,244,903)
	$ 10,582,994	$ 10,044,353

5. **Foreclosed assets**

A summary of the balance of foreclosed assets at year end is presented below:

	2015	2014
Residential real estate	$ 542,567	$ 24,500
Commercial real estate	2,088,500	2,668,379
Consumer	97,162	51,795
	$ 2,728,229	$ 2,744,674

6. **Time deposits**

The aggregate amount of time deposits in amounts of $100,000 or more was $65,009,194 and $77,686,088 at December 31, 2015 and 2014, respectively. Interest expense on time deposits of $100,000 or more totaled $557,718 in 2015 and $733,463 in 2014. At December 31, 2015 scheduled maturities of time deposits are as follows:

2016	$ 79,648,343
2017	19,023,033
2018	6,708,631
2019	1,890,820
2020	2,242,572
More than 5 years	12,000
	$ 109,525,399

7. **Advances from Federal Home Loan Bank**

The Company has a secured line of credit with the FHLB in the amount of $130,918,599 at December 31, 2015 and $149,875,634 at December 31, 2014, which is secured by FHLB stock, deposit accounts with the FHLB, and a blanket lien on its outstanding loan portfolio.

The Company had outstanding borrowings of $37,110,966 and $219,311 from the FHLB at December 31, 2015 and 2014, respectively, consisting of advances to provide the Bank funding for fixed-rate mortgage loans and various other loans. These advances have maturities ranging from 2016 through 2018 and have interest rates ranging from 0.41% to 7.33%. In connection with the total borrowings, the Bank agreed to secure the advances with a blanket-floating lien. They have granted the FHLB collateral in first lien mortgage residential loans, FHLB stock, and deposit accounts with the FHLB.

Future maturities of these borrowings are as follows:

2016	$ 37,036,461
2017	61,637
2018	12,868
2019	-
2020	-
Later years	-
	$ 37,110,966

8. Note payable

The Company entered into a note payable with a financial institution to fund the purchase of a bank. The Company borrowed $6,000,000 on April 17, 2008, interest floating at prime rate, which was 3.50% and 3.25% at December 31, 2015 and 2014, respectively. The note calls for quarterly interest payments beginning July 16, 2008 and seven annual principal payments of $357,143 beginning April 10, 2010. The Company paid $3,500,000 on the principal in September 2008. The outstanding balance at December 31, 2015 and 2014 was $348,429 and $705,572 respectively. The note is unsecured. There is a separate loan agreement between the financial institution and the Company whereby the Bank must maintain financial ratios and various other requirements and covenants. Management has complied with all terms and believes it has met or exceeded all financial covenants.

Future maturities of these borrowings according to the loan agreement are as follows:

2016	$ 348,429
2017	-
2018	-
2019	-
2020	-
	$ 348,429

9. Subordinated debentures

In September 2004, the Company completed the private placement of $6,186,000 in subordinated debentures to First Graham Statutory Trust I (Trust). The Trust funded the purchase of the subordinated debentures through the sale of trust preferred securities to Preferred Term Securities XV, Ltd. with a liquidation value of $6,186,000. Using interest payments made by the Company on the debentures, the Trust began paying quarterly dividends to preferred security holders on December 20, 2004. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities had an initial rate of 4.17% and is variable at 3-Month LIBOR plus an interest factor, not to exceed the maximum rate permitted by New York law, making the rate 2.8695%, and 2.5471% as of December 31, 2015, and 2014, respectively. Dividends on the preferred securities are cumulative and the Trust may defer the payments for up to five years. The preferred securities mature on September 30, 2034 unless the Company elects and obtains regulatory approval to accelerate the maturity date.

Interest expense incurred on the subordinated debentures for the years ended December 31, 2015 and 2014 was $162,795 and $159,503, respectively.

Subordinated debt may be included in regulatory Tier 1 capital subject to a limitation that such amounts not exceed 25.00% of Tier 1 capital. The remainder of subordinated debt is included in Tier II capital. There is no limitation for inclusion of subordinated debt in total risk-based capital and, as such, all subordinated debt was included in total risk-based capital.

10. Distribution restrictions

Federal and state banking regulations place certain restrictions on dividends paid by the Bank to the Company. Dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

11. **Treasury stock**

Treasury stock is shown at cost and consists of 4,260 shares in 2015 and 2014, of Company common stock.

12. **Deferred compensation plan**

The Company has invested in cost recovery life insurance. Policies were purchased with various carriers on the lives of certain executive officers and directors participating in the deferred compensation plan (Plan). The Bank is the sole owner and beneficiary of the life insurance policies. The amount of coverage is designed to provide sufficient revenues to fund said Plan and the policy death benefit also indemnifies the Bank against the death benefit provision of the Plan.

At December 31, 2015 and 2014, the accrued deferred compensation payable is \$2,080,883 and \$1,744,996 respectively, and the cash surrender value of the life insurance is \$13,620,211 and \$13,299,688, respectively.

Executive officers and directors participating in the Plan can defer a portion of their compensation. The Company agreed to pay interest on the balance of deferred funds, to be adjusted every five years. Interest was 7% at December 31, 2015 and 2014. In addition, the agreements were amended to allow directors, as of January 2004, the option to defer 100% of their compensation. The Company may elect to match the deferred compensation of executive officers up to 50%, not to exceed \$4,000 annually. In 2014, a director deferral plan was offered to directors who had not previously been participating in a plan. The new Plan allows directors to defer fees up to \$12,000 per year and is the same in all other respects. As of December 31, 2015 there were 14 directors participating in the new Plan. Three are participating under the January 2004 plan and are allowed to defer 100% of their fees.

13. **Regulatory matters**

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2015 and 2014 that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2015, the Bank's capital ratios exceed those levels necessary to be categorized 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, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification which management believes would change the Bank's category.

Beginning January 1, 2015, community banking organizations became subject to a new regulatory rule recently adopted by federal banking agencies (commonly referred to 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 organizations. Basel III includes a multiyear transition period from January 1, 2015 through December 31, 2019.

Management believes that as of December 31, 2015, the Bank would meet all capital 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. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios and minimum amounts and ratios as calculated under regulatory accounting practices are presented in the following table.

	Actual		Minimum Requirements For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015						
Total Capital to Risk Weighted Assets:						
Ciera Bank	$ 63,813,000	14.96%	$ 34,128,000	8.0%	$42,660,000	10.0%
Common Equity Tier 1 Capital (CETI) to Risk Weighted Assets:						
Ciera Bank	58,456,000	13.70	19,197,000	4.5	27,729,000	6.5
Tier I Capital to Risk Weighted Assets:						
Ciera Bank	58,456,000	13.70	25,596,000	6.0	34,128,000	8.0
Tier I Capital to Average Totals Assets:						
Ciera Bank	58,465,000	11.88	19,682,000	4.0	24,602,000	5.0
As of December 31, 2014						
Total Capital to Risk Weighted Assets:						
Ciera Bank	$ 60,712,000	15.96%	$ 30,429,200	8.0%	$38,036,500	10.0%
Tier I Capital to Risk Weighted Assets:						
Ciera Bank	55,938,000	14.71	15,214,600	4.0	22,821,900	6.0
Tier I Capital to Average Assets:						
Ciera Bank	55,938,000	11.55	19,371,840	4.0	24,214,800	5.0

14. **Lease commitments**

The Company leases land under a non-cancelable lease agreement expiring December 31, 2046. The monthly lease payment was $699 in 2015 and 2014. The monthly lease payment was adjusted January 1, 2012 based on the change in the Consumer Price Index (CPI); and is to be adjusted every five years thereafter. Future minimum rental payments are calculated under the current CPI.

The Company has an operating lease agreement for a branch facility, with rent of $10,416 payable monthly. The lease is for a term of 120 months, beginning July 1, 2007 and expiring June 30, 2017. The Company will be responsible for 25% of all taxes, insurance and maintenance expenses. (See Note 15.)

Approximate future minimum lease payments are as follows:

2016	$ 270,116
2017	72,431
2018	9,747
2019	8,386
2020 and thereafter	234,817
	$ 595,497

The Company leases additional property and equipment on a quarterly or monthly basis. Rental expense for all the operating leases for the years ended December 31, 2015 and 2014 was $298,799 and $163,264, respectively.

15. Related-party transactions

Ciera Bank has entered into agreements with 1st in Graham Co. to lease certain banking facilities. The lease provides for a term of twelve months, renewable January 1 of each year. All leases are accounted for as operating leases and are eliminated upon consolidation. Net rent expense paid to 1st in Graham Co. by Ciera Bank amounted to $24,000 in 2015 and 2014.

Ciera Bank has an operating lease agreement with a company, whose member owner is a shareholder of the Company and a director. Rent paid to this company amounted to $126,404 and $124,992 in 2015 and 2014, respectively, and future minimum lease payments approximate $187,488 and $322,896 at December 31, 2015 and December 31, 2014.

Ciera Bank has an operating lease agreement with a company, whose member owners are shareholders of the Company and are directors. Rent paid to this company amounted to $135,000 in 2015 and future minimum lease payments approximate $135,000 at December 31, 2015.

The aggregate amount of loans owed to Ciera Bank by directors, officers, and employees amounted to approximately $12,005,401 and $11,734,675 at December 31, 2015 and 2014, respectively. During 2015, new loans to such related parties amounted to $5,355,968 and repayments amounted to $5,085,242. All transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Ciera Bank held deposits of $10,503,077 for executive officers and directors at December 31, 2015.

Each year, the Company retains various legal counsel. Fees paid to related party legal counsel were immaterial in 2015 and 2014.

Director and committee fees paid totaled $341,800 and $349,200 during 2015 and 2014, respectively. Deferred fees included in the above totaled $178,800 and $166,800 in 2015 and 2014, respectively.

16. Commitments and contingencies

In the normal course of business, the Company is involved in various other legal proceedings. Management has concluded, based upon advice of counsel, that the result of these proceedings will not have a material effect on the Company's financial condition or results of operations.

17. **Statements of cash flows**

Supplemental cash flow information for the years ended December 31, 2015 and 2014 is as follows:

	2015	2014
Cash transactions:		
Interest paid	$ 1,445,695	$ 1,953,196
Income tax paid	-	7,693
Noncash investing and financing activities:		
Change in unrealized security values	96,557	1,299,268
Other assets acquired through foreclosure	619,834	765,197

18. **Financial instruments with off-balance sheet risk**

Ciera Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include stand-by letters of credit and commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. The Bank's exposure to credit loss in the event of nonperformance is represented by the contractual amount of those instruments. The Bank has not been required to perform on any financial guarantees and have not incurred any losses on their commitments in either 2015 or 2014.

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. 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 uses the same credit policies in making commitments and conditional obligations as they do for on-balance-sheet instruments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount and type 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 and equipment, and income producing commercial properties. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

Standby letters of credit are conditional commitments issued by the Bank 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. Those guarantees are issued primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy of obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. Since many of the letters of credit and loan commitments may expire without being drawn upon, the total contract amount does not necessarily represent future cash requirements. The distribution of commitments on lines of credit approximates the distribution of loans outstanding.

Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, considering the difference between current levels of interest rates and the committed rates and the counterparties' credit standing. The fair value of these financial instruments is considered insignificant. Additionally, these financial instruments have no carrying value. The total amounts of financial instruments with off-balance-sheet risk as of December 31, 2015 are as follows:

	Contract Amount
Commitments on lines of credit	$ 130,628,129
Stand-by letters of credit	4,650,784

19. Fair value measurement

Authoritative guidance 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.

Authoritative guidance 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 costs). 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, 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 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 (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs - Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the asset or liability.

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

Securities available for sale - Securities classified as available for sale are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company 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, credit information and the security's term and conditions, among other things.

Impaired loans - 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 or Level 3 inputs based on third party or internally developed appraisals.

Foreclosed real estate - These assets are reported at estimated fair value, less estimated selling costs. Fair value is based on third party or internally developed appraisals considering the assumptions in the valuation and are considered Level 2 or Level 3 inputs.

At December 31, 2015 and 2014 the Company had no financial liabilities measured at fair value on a recurring basis.

Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Securities available for sale:				
2015				
U. S. Agency securities	$ 999,749	$ -	$ 999,749	$ -
Mortgage-backed securities	3,852,159	-	3,852,159	-
State and municipal securities	48,755,805	-	48,755,805	-
	$ 53,607,713	$ -	$ 53,607,713	$ -
2014				
U. S. Agency securities	$ 994,075	$ -	$ 994,075	$ -
Mortgage-backed securities	22,686,935	-	22,686,935	-
State and municipal securities	61,184,134	-	61,184,134	-
Mutual fund	3,418,381	3,418,381	-	-
	$ 88,283,525	$ 3,418,381	$ 84,865,144	$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring 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).

The following represents the carrying value of financial assets and financial liabilities measured at fair value on a nonrecurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3	Charges Against Allowance for Loan losses	Charges Against Other Expense
2015					
Foreclosed assets	$ -	$ 2,728,229	$ -	$ -	$ -
Impaired loans	-	-	3,033,305	-	-
2014					
Foreclosed assets	$ -	$ 2,744,674	$ -	$ -	$ -
Impaired loans	-	-	4,235,517	-	-

During the year ended December 31, 2015, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $3,234,314 were reduced by specific valuation allowance allocations totaling $201,009 to a total reported fair value of $3,033,305 based on collateral valuations utilizing Level 3 valuation inputs.

During the year ended December 31, 2014, certain impaired loans were remeasured and reported at fair value through a specific valuation allowance allocation of the allowance for possible loan losses based upon the fair value of the underlying collateral. Impaired loans with a carrying value of $4,252,730 were reduced by specific valuation allowance allocations totaling $17,213 to a total reported fair value of $4,235,517 based on collateral valuations utilizing Level 3 valuation inputs.

The following table represents the Bank's Level 3 financial assets and liabilities, the valuation techniques used to measure the fair value of those financial assets and liabilities, and the significant unobservable inputs and the ranges of values for those inputs:

	Fair Value at		Principal Valuation	Significant Unobservable	Range of Significant
	2015	2014	Technique	Inputs	Input Values
Impaired loans	$ 3,033,305	$ 4,235,517	Appraisal of collateral	Appraisal adjustments	10 - 30%

Resulting gains and/or losses on foreclosed assets are included under other income or other expenses, respectively.

Foreclosed real estate is valued at the time the loan is foreclosed upon and the asset is transferred to foreclosed assets. The value is based primarily on third party appraisals, less costs to sell. Appraisals based upon comparable sales result in Level 2 classification while appraisals based upon expected cash flows of the property result in a Level 3 classification. The appraisals are generally discounted based on management's historical knowledge, changes in market conditions from time of valuation, and/or management's expertise and knowledge of the client and client's business. Foreclosed real estate is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The Company did not change the methodology used to determine fair value for any financial instruments during the years ended December 31, 2015 or 2014. Accordingly, for any given class of financial instruments, the Company did not have any transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2015 or 2014.

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instrument assets and liabilities including those subject to the requirements discussed above. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments, as defined. Many of the Company's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

Cash and due from banks, federal funds, interest bearing deposits in banks, cash value life insurance, and accrued interest are liquid in nature and considered Level 1 of the fair value hierarchy.

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analyses, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Loans are considered Levels 2 of the fair value hierarchy.

The fair value of the advances from the Federal Home Loan Bank is estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of the note payable approximates fair value. The carrying amount is typically used to estimate the fair value of variable rate debt with frequent repricing. The fair value of guaranteed preferred beneficial interest in junior subordinated debentures approximates their carrying amount. The carrying amount is typically used to estimate the fair value of variable rate debt with frequent repricing. Advances and debt are considered a Level 2 of the fair value hierarchy.

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair value at the reporting date. Fair values of fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule or aggregated expected monthly maturities on time deposits. This is considered to be a Level 2 instrument due to the unobservable inputs of future deposit runoff, growth, and changes in interest rates.

Financial instruments with stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market for similar assets and liabilities and are considered Levels 2 and 3 of the fair value hierarchy. Financial instrument liabilities with no stated maturities have an estimated fair value equal to both the amount payable on demand and the carrying value and are considered Level 1 of the fair value hierarchy.

The carrying value and the estimated fair value of the Company's contractual off-balance-sheet unfunded lines of credit, loan commitments and letters of credit, which are generally priced at market at the time of funding, are not material.

The estimated fair values of the Company's financial instruments at December 31, 2015 and 2014 were as follows:

		2015		2014	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:					
Cash and due from banks	Level 1	$ 46,575,930	$ 46,575,930	$ 25,831,291	$ 25,831,291
Time deposits with banks	Level 1	490,000	490,000	4,165,000	4,165,000
Loans, net	Level 2	373,270,830	388,519,695	335,558,822	349,189,483
Cash value life insurance	Level 1	13,620,211	13,620,211	13,299,688	13,299,688
Accrued interest receivable	Level 1	2,045,542	2,045,542	2,120,082	2,120,082

Financial Liabilities:

Deposits	Level 2	407,395,952	407,434,952	426,276,798	426,654,000
Advances from Federal Home Loan Bank	Level 2	37,110,966	37,115,000	219,311	236,000
Note payable	Level 2	348,429	348,429	705,572	705,572
Guaranteed preferred beneficial interest in junior subordinated debentures	Level 2	6,186,000	6,186,000	6,186,000	6,186,000
Accrued interest payable	Level 2	185,670	185,670	229,786	229,786

There is no material difference between the notional amount and the estimated fair value of off-balance sheet unfunded loan commitments which are generally priced at market at the time of funding. Letters of credit have an estimated fair value based on fees currently charged for similar arrangements. Fees related to the unexpired term of the letters of credit are not significant.