Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, MIKE FERNANDEZ
Name of the Holding Company Director and Official

DIRECTOR/CFO & SECRETARY
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.

Mike F[signature]
Signature of Holding Company Director and Official

6/29/18
Date of Signature

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

- ☐ 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 2299040
C.I.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2017
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

MESA FINANCIAL CORPORATION
Legal Title of Holding Company

PO BOX 510
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
SWEETWATER	TX	79556

400 EAST BROADWAY, SWEETWATER, TX 79556
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
ROBERT L HAMBY	CPA

325 949-2567
Area Code / Phone Number / Extension

325 949-2567
Area Code / FAX Number

ROBERT@HAMBYHENGELI.COM
E-mail Address

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

Is confidential treatment requested for any portion of this report submission? (0=No, 1=Yes) 0

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

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

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

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

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.

NONE
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

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City | State | Zip Code

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City | State | Zip Code

Physical Location (if different from mailing address)

AMENDED
JUL 03 2018

Form FR Y-6

MESA FINANCIAL CORPORTATION
Sweetwater, Texas

Fiscal Year Ending December 31, 2017

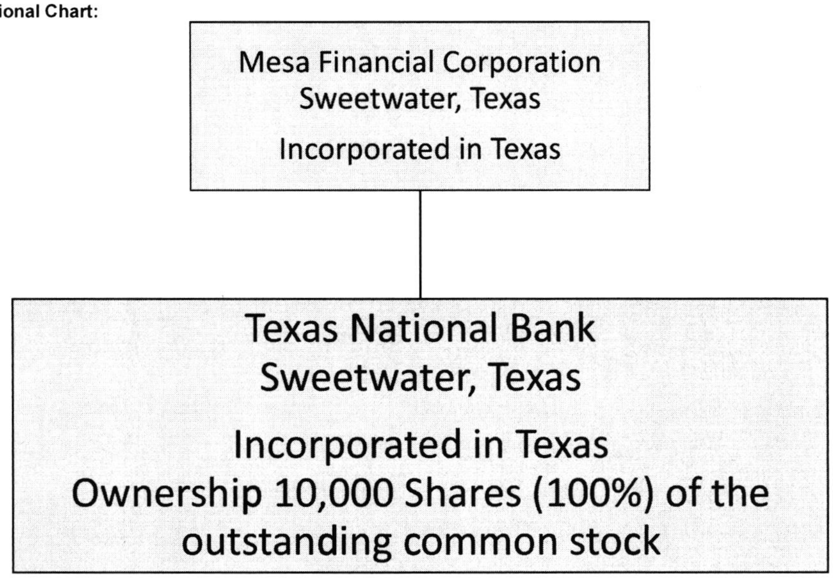
Report Item

Texas National Bank has a Legal Entity Identifier Number: 254900PZ1UVRMYRJ9O68
Mesa Financial Corporation does not have a Legal Entity Identifier Number

1 : a **The BHC is not registered with the SEC.**

1 : b **The BHC does prepare an annual report for its security holders and 1 copy is enclosed after Report item 4.**

2 : **Organizational Chart:**



2 : b **Domestic branch listing provided to the Federal Reserve Bank.**

Results: A list of branches for your depository institution: TEXAS NATIONAL BANK (ID_RSSD: 1435092).
This depository institution is held by MESA FINANCIAL CORPORATION (2299040) of SWEETWATER, TX.
The data are as of 12/31/2017. Data reflects information that was received and processed through 01/04/2018.

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	12/31/2017	Full Service (Head Office)	1435092	TEXAS NATIONAL BANK	400 E BROADWAY	SWEETWATER	TX	79556	NOLAN	UNITED STATES	Not Required	Not Required	TEXAS NATIONAL BANK	1435092	
OK	12/31/2017	Full Service	1427770	TUSCOLA BRANCH	533 GARZA AVENUE	TUSCOLA	TX	79562	TAYLOR	UNITED STATES	Not Required	Not Required	TEXAS NATIONAL BANK	1435092	

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MESA FINANCIAL CORPORATION
Sweetwater, Texas

Fiscal Year Ending December 31, 2017

Report Item 3: Securities Holders

Current Securities Holders with ownership, control or holdings of 5% or more with power to vote as of fiscal year ending 12-31-2017			Securities Holders not listed in 3(1)(a) through (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year, or principal securities holders ending 12-31-2017		
(1)(a) Name & Address	(1)(b) Country of Citizenship	(1)(c) Number and Percentage of Each Class of Voting Securities	(2)(a) Name & Address	(2)(b) Country of Citizenship	(2)(c) Number and Percentage of Each Class of Voting Securities
Bill Johnson Sweetwater, Texas	USA	19,158 shares--22.688% Common Stock	n/a	n/a	n/a
James M. Johnson Hamlin, Texas	USA	19,054 shares--22.565% Common Stock	n/a	n/a	n/a
Margaret A. Schariach Little Elm, Texas	USA	19,054 shares--22.565% Common Stock	n/a	n/a	n/a
Amy Catherine (Johnson) Snell Longview, Texas	USA	19,054 shares--22.565% Common Stock	n/a	n/a	n/a

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MESA FINANCIAL CORPORATION
Sweetwater, Texas
Fiscal Year Ending December 31, 2017

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

(1) Names & Address	(2) Principal Occupation	(3)(a) Title & Position with BHC	(3)(b) Title & Position with Subsidiaries	(3)(c) Title & Position with Other Businesses	(4)(a) Percentage of Voting Securities in BHC	(4)(b) Percentage of Voting Securities in Subsidiaries	(4)(c) Names of other companies 25% or more of voting securities are held
Bill Johnson Sweetwater, Texas	N/A	Director President and COB	Director, President, CEO and COB Texas National Bank	N/A	22.69%	None Texas National Bank	JHRM Resources, LLC 25.00%
James M. Johnson Hamlin, Texas	Farming and Ranching	Director	Director Texas National Bank	Owner James Johnson Partner Johnson & Johnson	22.57%	None Texas National Bank	Johnson & Johnson 100%
Margaret A. Schariach Little Elm, Texas	Retired Teacher	Director	Director Texas National Bank	None	22.57%	None Texas National Bank	None
Amy Catherine (Johnson) Snell Pflugerville, Texas	None	Principal Securities Holder	None Texas National Bank	None	22.57%	None Texas National Bank	None
Mike Fernandez Ablilene, Texas	N/A	Director, CFO and Secretary	Director, Executive Vice President and CFO Texas National Bank	None	1.01%	None Texas National Bank	None
Lloyd F. Harris Sweetwater, Texas	Retired Banker	Director and Vice President	Director Texas National Bank	None	3.55%	None Texas National Bank	None
Joel Terry Tuscola, Texas	N/A	Director	Director and Tuscola Market President Texas National Bank	None	1.01%	None Texas National Bank	None
Chris Bibb Snyder, Texas	N/A	Director	Director and Senior Vice President Texas National Bank	None	0.58%	None Texas National Bank	None

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

**MESA FINANCIAL CORPORATION
AND SUBSIDIARY**

December 31, 2017 and 2016

MESA FINANCIAL CORPORATION AND SUBSIDIARY

December 31, 2017 and 2016

TABLE OF CONTENTS

HAMBY & HENGELI LLC
accountants and advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mesa Financial Corporation
Sweetwater, Texas

We have audited the accompanying consolidated financial statements of Mesa Financial Corporation and Subsidiary which are comprised of the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 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 Mesa Financial Corporation and Subsidiary as of December 31, 2017 and 2016 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hamby & Hengeli LLC

San Angelo, Texas
February 22, 2018

Certified Public Accountants
2909 Sherwood Way, Suite 204, San Angelo, TX 76901
325.949.2567 | www.HambyHengeli.com

MESA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

	Years ended December 31, 2017	2016
ASSETS		
Cash and cash equivalents	$ 8,718,178	$ 6,683,025
Certificates of deposit in banks	11,528,000	11,528,000
Securities available for sale	67,889,884	70,949,872
Nonmarketable equity securities	275,262	276,630
Loans, net	33,624,072	32,549,222
Premises and equipment, net	2,254,553	1,628,498
Foreclosed real estate	-	34,675
Bank owned life insurance	2,680,997	2,604,753
Goodwill and other intangibles, net	869,483	916,733
Accrued interest receivable	857,068	912,105
Other assets	172,534	344,261
	$ 128,870,031	$ 128,427,774
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 34,217,546	$ 30,345,955
Interest-bearing	80,971,213	84,854,628
Total deposits	115,188,759	115,200,583
Accrued interest payable	11,959	11,522
Other liabilities	281,722	240,444
Total liabilities	115,482,440	115,452,549
Commitments (Notes I and K)		
Stockholders' equity		
Common stock - 1,000,000 shares, $1 par value stock authorized; 102,400 shares issued	102,400	102,400
Surplus	3,872,060	3,872,060
Treasury stock, at cost (17,960 shares)	(1,478,641)	(1,478,641)
Retained earnings	11,326,569	10,801,252
Accumulated other comprehensive loss	(434,797)	(321,846)
Total stockholders' equity	13,387,591	12,975,225
	$ 128,870,031	$ 128,427,774

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

MESA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED INCOME STATMENT

	Years ended December 31, 2017	2016
Interest income		
Loans, including fees	$ 1,838,520	$ 1,720,685
Debt securities		
Taxable	948,102	939,298
Tax-exempt	701,903	675,025
Other interest and dividends	254,765	230,317
Total interest income	3,743,290	3,565,325
Interest expense		
Deposits	365,883	272,893
Borrowed funds and other	341	896
Total interest expense	366,224	273,789
Provision for loan losses	-	(56,238)
Net interest income after provision for loan losses	3,377,066	3,347,774
Noninterest income		
Service charges on deposit accounts	636,887	665,787
Net gain on sale of assets[1]	31,176	26,436
Other income	170,478	166,892
Total noninterest income	838,541	859,115
Noninterest expense		
Salaries and employee benefits	1,866,862	1,792,917
Occupancy and equipment	317,209	240,816
Data processing	128,692	133,897
Regulatory fees and assessments	89,009	127,508
Other general and administrative	1,035,197	990,057
Total noninterest expense	3,436,969	3,285,195
NET INCOME	$ 778,638	$ 921,694

[1] Net gain on sale of assets includes $24,571 and $26,436 accumulated other comprehensive income reclassifications for unrealized net gains on available for sale securities for 2017 and 2016, respectively.

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

MESA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Years ended December 31, 2017	Years ended December 31, 2016
Net income	$ 778,638	$ 921,694
Other comprehensive loss		
Gross unrealized losses on securities available for sale	(88,380)	(831,634)
Reclassification adjustment for gains realized in net income	(24,571)	(26,436)
Total other comprehensive loss	(112,951)	(858,070)
TOTAL OTHER COMPREHENSIVE INCOME	$ 665,687	$ 63,624

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

MESA FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2017 and 2016

	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2015	$ 102,400	$3,872,060	$ (1,478,641)	$ 10,293,313	$ 536,224	$ 13,325,356
Net income	-	-	-	921,694	-	921,694
Other comprehensive loss	-	-	-	-	(858,070)	(858,070)
Cash dividends paid	-	-	-	(413,755)	-	(413,755)
Balance at December 31, 2016	102,400	3,872,060	(1,478,641)	10,801,252	(321,846)	12,975,225
Net income	-	-	-	778,638	-	778,638
Other comprehensive loss	-	-	-	-	(112,951)	(112,951)
Cash dividends paid	-	-	-	(253,321)	-	(253,321)
Balance at December 31, 2017	$ 102,400	$3,872,060	$ (1,478,641)	$ 11,326,569	$ (434,797)	$ 13,387,591

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

MESA FINANCIAL CORPORATION AND SUBSIDIARY

STATEMENT OF CASH FLOWS

	Years ended December 31,	
	2017	2016
Cash flows from operating activities		
Net income	$ 778,638	$ 921,694
Adjustments to reconcile net income to cash provided by operating activities		
Net amortization of premium on investment securities	710,978	686,956
Gain on sale of assets	(31,176)	(26,436)
Provision for loan losses	-	(56,238)
Depreciation and amortization expense	196,923	113,438
TIB stock dividend	-	(3,336)
Increase in cash surrender value of bank owned life insurance	(76,244)	(78,021)
Net change in:		
Accrued interest receivable and other assets	228,132	(259,689)
Accrued interest payable and other liabilities	41,715	125,153
Cash provided by operating activities	1,848,966	1,423,521
Cash flows from investing activities		
Proceeds from maturities, calls and paydowns of securities available for sale	8,748,510	8,593,457
Proceeds from sales of securities available for sale	15,791,460	12,954,197
Purchases of securities available for sale	(22,279,340)	(20,982,794)
Purchases of certificates of deposits in banks	(2,737,000)	(2,840,000)
Proceeds from maturities of certifcates of deposits in banks	2,241,000	2,840,000
Proceeds from sales of certifcates of deposits in banks	496,313	-
Loans originated, net of principal collections	(1,074,850)	(1,875,894)
Proceeds from sales of premises and equipment	31,699	151,222
Additions to premises and equipment	(806,715)	(1,119,478)
Proceeds from sales of foreclosed assets	40,255	-
Cash provided by (used for) investing activities	451,332	(2,279,290)
Cash flows from financing activities		
Net change in deposits	(11,824)	1,337,179
Cash dividends paid on common stock	(253,321)	(413,755)
Cash provided by (used for) financing activities	(265,145)	923,424
Net change in cash and cash equivalents	2,035,153	67,655
Cash and cash equivalents, beginning of year	6,683,025	6,615,370
Cash and cash equivalents, end of year	$ 8,718,178	$ 6,683,025
Supplemental disclosure of cash flow information		
Cash paid during the year for interest on deposits and borrowed funds	$ 365,787	$ 273,704

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Mesa Financial Corporation and Subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Organization and Principles of Consolidation

Mesa Financial Corporation is a bank holding company which owns 100% of the common stock of Texas National Bank ("the Bank"). The entities are collectively referred to as "the Company".

The accompanying consolidated financial statements include the consolidated totals of the Company. Significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company provides a variety of banking services to individuals and businesses through their locations in Sweetwater and Tuscola, Texas. Their primary deposit products are checking, savings and term deposit accounts. Their primary lending products are real estate, commercial, agricultural and installment loans. The Bank is subject to competition from other financial institutions and to regulation by certain federal agencies. The Bank undergoes periodic examinations by these regulatory authorities.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and actual results could differ.

Significant Concentrations of Credit Risk

Most of the Company's activities are with customers located in the Nolan and Taylor Counties, Texas. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in those areas. Note C discusses the types of securities that the Company invests in. Note E discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash, deposits with other financial institutions with original maturities fewer than 90 days, and federal funds sold.

Balances in transaction accounts at other financial institutions may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Certificates of Deposits in Banks

Certificates of deposit in banks are carried at cost, and are fully covered by federal deposit insurance.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as an impairment charge to earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized as an impairment charge to earnings, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Nonmarketable Equity Securities

The Company, as a member of the Federal Reserve Bank of Dallas, is required to maintain an investment in its capital stock. Also, the Company maintains an investment in the capital stock of TIB - The Independent BankersBank. No ready market exists for these stocks, and they have no quoted market value. For financial reporting purposes, such stock is considered restricted and is carried at cost under the caption "nonmarketable equity securities."

Periodically, management evaluates nonmarketable equity securities for other-than-temporary impairment. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. Both cash and stock dividends are reported as income.

Loans

The Company grants real estate, commercial, agricultural and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans principally in the Nolan and Taylor counties. The ability of the Company's borrowers to honor their contracts is dependent upon the real estate and general economic conditions in those areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. 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.

The accrual of interest on any loan is discontinued at the time the loan is specifically determined to be impaired unless the loan is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the principal balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectibility is no longer doubtful.

Troubled debt restructurings are loans for which concessions in terms have been made as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on troubled debt restructurings is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on troubled debt restructurings that meet the Company's nonaccrual criteria.

Generally, loans are charged off in whole or in part on a loan-by-loan basis after they become significantly past due and based upon management's review of the collectibility of all or a portion of the loan unless the loan is in the process of restructuring. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses, and is established 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. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgement, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are considered impaired, and is comprised of valuation allowances calculated on a loan-by-loan basis. Impaired loans are all specifically identified loans for which it is probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and are classified as impaired. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, the borrower's financial condition and overall loan quality as determined by an internal loan grading system. Included in impaired loans are all nonaccrual loans and all accruing troubled debt restructurings. Loans that experience insignificant payment delays or payment shortfalls generally are not considered impaired. For impaired loans for which repayment is expected solely from the collateral, impairment is measured based on the fair value of the collateral. For other impaired loans, impairment may be measured based on the fair value of the collateral or on the present value of expected future cash flows discounted at the loan's original effective interest rate. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Troubled debt restructurings are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component relates to non-impaired loans, and is based on historical loss experience adjusted for the effects of economic factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio's historical loss experience. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. Economic factors include the following: economic conditions; industry conditions; changes in lending policies and procedures; trends in the volume and terms of loans; trends in the quality of risk management and loan administration practices; levels and trends in delinquencies and impaired loans; levels and changes in the concentration of credit and levels of credit; levels and trends of loan quality as determined by an internal loan grading system; portfolio concentrations.

On a quarterly basis, management estimates the allowance balance required using the criteria identified above in relation to the relevant risks for each of the Company's major loan segments. Significant overall risk factors for both the Company's commercial and consumer portfolios include the strength of the real estate and agricultural market in the Company's lending area.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans and impaired loans, and internal credit quality ratings which are updated quarterly by management. The ratings on the Company's internal credit scale are broadly grouped into the categories "pass", "special mention" and "substandard." Loans with a pass rating are those loans with minimal identified credit risk. Special mention loans include those with potential credit weaknesses which deserve management's attention but for which full collection of contractual principal and interest is not significantly at risk. Substandard loans are those loans that have well-defined weakness that put full collection of contractual principal or interest at risk, and doubtful loans for which it is probable that the Company will not collect all contractual principal or interest are also considered impaired. The credit quality ratings are an important part of the Company's overall credit risk management process and are considered in the determination of the allowance for loan losses.

Determination of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs, which do not extend the useful lives of buildings and equipment, are charged to expense as incurred.

Foreclosed Real Estate

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the initial carrying value or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expenses.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Intangible Assets

Goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interest in the acquisition, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on the balance sheet. At December 31, 2017 and 2016, the Company had $676,545 in goodwill.

Intangible assets consist of the core deposit intangible of acquired deposits. These assets are amortized over their estimated useful life of 8 years. At December 31, 2017 and 2016, the Company had $192,938 and $240,188, respectively in core deposit intangible.

Income Taxes

The Company, with the consent of its stockholders, elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company neither pays corporate income taxes on its taxable income nor is allowed a net operating loss carryover or carryback as a deduction. Instead, the stockholders of the Company include their respective shares of the Company's net operating income or loss in their individual income tax returns. Accordingly, no income taxes are reflected in the consolidated financial statements.

Because the Company's stockholders will be obligated to pay income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund the stockholders' tax payments as they come due.

The Company is no longer subject to examination by taxing authorities for years before 2014.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Transfers of Financial Assets

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

Loss Contingencies

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

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value Measurements

Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Comprehensive Income

Components of comprehensive income are net income and all other non-owner changes in equity. The only component of other comprehensive income consists of net unrealized holding gains and losses on available-for-sale securities.

Accounting Standards Updates

ASU 2014-09 "Revenue from Contracts with Customers". ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. It will supersede most current revenue recognition requirements when it becomes effective. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies the performance obligation. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the effect that the guidance will have on its consolidated financial statements and disclosures, if any.

ASU 2016-01"Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 amends a number of accounting standards, including: (1) Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in income; (2) Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (3) Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); (4) Simplifying the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (5) Clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets; (6) Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost; and (7) Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The adoption of this standard is not expected to have a material effect on the Company's operating results or financial condition.

ASU 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments". The amendments under ASU 2016-13 require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This guidance becomes effective for annual reporting periods beginning after December 15, 2020 and interim reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect that the guidance will have on its consolidated financial statements and disclosures.

ASU 2017-04 "Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment". ASU 2017-04 eliminates Step 2 from the goodwill impairment test. The annual goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The guidance becomes effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The Company has elected to early adopt this guidance effective January 1, 2017. The adoption of this standard did not have a material effect on the Company's operating results or financial condition.

ASU 2017-08 "Receivables – Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities". The amendments in ASU 2017-08 shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount, the discount continues to be amortized to maturity. This guidance becomes effective for annual reporting periods beginning after December 15, 2019 and interim reporting periods beginning after December 15, 2020. The Company has elected to early adopt this guidance effective January 1, 2017, the impact of the adoption was not material to the consolidated financial statements or disclosures.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 22, 2018, which is the date the financial statements were available to be issued.

NOTE B – CERTIFICATES OF DEPOSIT IN BANKS

Scheduled maturities of certificates of deposits in banks are as follows at December 31, 2017:

Year ending December 31,	
2018	$ 2,722,000
2019	2,484,000
2020	2,242,000
2021	1,842,000
2022	1,989,000
Thereafter	249,000
	$11,528,000

NOTE C – INVESTMENT SECURITIES

The following presents information related to the Company's portfolio of debt securities:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 3,489,285	$ 3,947	$ (18,519)	$ 3,474,713
Corporate Securities	4,046,472	41,193	(26,516)	4,061,149
Tax-exempt Municipal Securities	27,033,791	292,953	(229,902)	27,096,842
Pass-through Securities	25,884,920	-	(306,073)	25,578,847
Agency CMOs	2,311,273	-	(91,640)	2,219,633
SBA Security Pools	5,558,940	392	(100,632)	5,458,700
	$ 68,324,681	$ 338,485	$ (773,282)	$ 67,889,884

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 5,591,236	$ 22,673	$ (29,486)	$ 5,584,423
Corporate Securities	4,027,528	5,346	(74,874)	3,958,000
Tax Exempt Municipal Securities	28,765,380	358,574	(331,127)	28,792,827
Pass through Securities	24,950,220	133,254	(258,878)	24,824,596
Agency CMOs	3,400,255	1,738	(58,926)	3,343,067
SBA Security Pools	4,537,099	869	(91,009)	4,446,959
	$ 71,271,718	$ 522,454	$ (844,300)	$ 70,949,872

The amortized cost and estimated market value of debt securities at December 31, 2017, by contractual maturity are as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 1,508,115	$ 1,518,303
Due after one year through five years	9,719,401	9,791,961
Due after five years through ten years	14,061,561	14,018,424
Due after ten years	9,280,471	9,304,016
	34,569,548	34,632,704
Securities without fixed maturities	33,755,133	33,257,180
	$ 68,324,681	$ 67,889,884

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

At December 31, 2017 and 2016, investment securities with carrying values of $35,604,126 and $37,196,860 were pledged to secure public deposits, and for other purposes.

During 2017, there were gross realized gains of $58,728 and gross realized losses of $34,157 on the sale of investment securities. During 2016, there were gross realized gains of $47,668 and gross realized losses of $21,232 on the sale of investment securities

Information pertaining to securities with gross unrealized losses, at December 31, 2017 and 2016 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2017			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 18,519	$ 2,466,933	$ -	$ -
Corporate Securities	10,818	1,017,800	15,698	985,500
Tax-exempt Municipal Securities	53,171	6,310,702	176,731	4,087,346
Pass-through Securities	182,962	18,503,752	123,111	7,075,095
Agency CMOs	-	-	91,640	2,219,634
SBA Security Pools	44,169	3,038,996	56,463	2,362,894
	$ 309,639	$ 31,338,183	$ 463,643	$ 16,730,469

	December 31, 2016			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Agency	$ 29,486	$ 3,561,750	$ -	$ -
Corporate Securities	30,339	1,496,165	44,535	955,465
Tax Exempt Municipal Securities	331,043	11,243,244	84	40,000
Pass through Securities	240,538	11,644,149	18,340	2,034,361
Agency CMOs	58,926	2,713,583	-	-
SBA Security Pools	91,009	4,365,972	-	-
	$ 781,341	$ 35,024,863	$ 62,959	$ 3,029,826

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions 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.

NOTE D – NONMARKETABLE EQUITY SECURITIES

Nonmarketable equity securities carried at cost are as follows:

	December 31,	
	2017	2016
Federal Reserve Bank	$ 222,700	$ 224,068
TIB - The Independent BankersBank	52,562	52,562
	$ 275,262	$ 276,630

NOTE E - LOANS

Major classifications of loans are as follows:

	December 31, 2017	December 31, 2016
Real Estate	$ 18,444,108	$ 17,803,597
Commercial	7,433,344	7,508,364
Agricultural Production	5,829,699	5,683,250
Consumer and Other	2,328,232	2,017,997
	34,035,383	33,013,208
Less: Deferred Income	(3,817)	(35,636)
Less: Allowance For Loan Losses	(407,494)	(428,350)
Total Loans	$ 33,624,072	$ 32,549,222

Transactions in the allowance for loan losses are as follows:

Year Ended December 31, 2017	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Balance at December 31, 2016	$ 160,220	$ 107,031	$ 94,215	$ 48,883	$ 18,001	$ 428,350
Provision for loan losses	4,334	(579)	(26,400)	20,657	1,988	-
Charge-offs	-	(24,093)	-	(4,351)	-	(28,444)
Recoveries	7,070	-	-	518	-	7,588
Net (charge-offs) recoveries	7,070	(24,093)	-	(3,833)	-	(20,856)
Balance at December 31, 2017	$ 171,624	$ 82,359	$ 67,815	$ 65,707	$ 19,989	$ 407,494

Year Ended December 31, 2016	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Balance at December 31, 2015	$ 173,845	$ 130,955	$ 52,757	$ 76,065	$ 208,848	$ 642,470
Provision for loan losses	(32,433)	147,353	41,458	(21,769)	(190,847)	(56,238)
Charge-offs	(53,149)	(194,538)	-	(11,194)	-	(258,881)
Recoveries	71,957	23,261	-	5,781	-	100,999
Net (charge-offs) recoveries	18,808	(171,277)	-	(5,413)	-	(157,882)
Balance at December 31, 2016	$ 160,220	$ 107,031	$ 94,215	$ 48,883	$ 18,001	$ 428,350

Components of the allowance for loan losses, and the related carrying amounts of loans for which the allowance is determined, are as follows:

	Year Ended December 31, 2017					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Allocation of Allowance To:						
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	171,624	82,359	67,815	65,707	19,989	407,494
	$ 171,624	$ 82,359	$ 67,815	$ 65,707	$ 19,989	$ 407,494
Recorded Investment In:						
Impaired loans - evaluated individually	$ -	$ 64,468	$ -	$ 6,824	$ -	$ 71,292
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	64,468	-	6,824	-	71,292
Unimpaired loans - evaluated collectively	18,444,108	7,368,876	5,829,699	2,321,408	-	33,964,091
	$ 18,444,108	$ 7,433,344	$ 5,829,699	$ 2,328,232	$ -	$ 34,035,383

	Year Ended December 31, 2016					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Allocation of Allowance To:						
Impaired loans - evaluated individually	$ -	$ -	$ -	$ -	$ -	$ -
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	-	-	-	-	-
Unimpaired loans - evaluated collectively	160,220	107,031	94,215	48,883	18,001	428,350
	$ 160,220	$ 107,031	$ 94,215	$ 48,883	$ 18,001	$ 428,350
Recorded Investment In:						
Impaired loans - evaluated individually	$ -	$ -	$ -	$ 6,266	$ -	$ 6,266
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	-	-	6,266	-	6,266
Unimpaired loans - evaluated collectively	17,803,597	7,508,364	5,683,250	2,011,731	-	33,006,942
	$17,803,597	$7,508,364	$5,683,250	$2,017,997	$ -	$33,013,208

Information relative to impaired loans is as follows:

	December 31, 2017				Year Ended December 31, 2017
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	$ -	$ -	$ -	$ -	$ -
Commercial	64,468	-	64,468	-	25,129
Agricultural Production	-	-	-	-	-
Consumer and Other	6,824	-	6,824	-	6,134
Total Loans	$ 71,292	$ -	$ 71,292	$ -	$ 31,263

	December 31, 2016				Year Ended December 31, 2016
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	$ -	$ -	$ -	$ -	$ 10,600
Commercial	-	-	-	-	62,000
Agricultural Production	-	-	-	-	-
Consumer and Other	6,266	-	6,266	-	3,760
Total Loans	$ 6,266	$ -	$ 6,266	$ -	$ 76,360

There were no commitments to extend credit on impaired loans at December 31, 2017 and interest income recognized on impaired loans was immaterial for the years ended December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for a new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Troubled debt restructurings included in impaired loans, and the related valuation allowance thereon, are as follows:

	December 31, 2017	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate	$ -	$ -
Commercial	64,468	-
Agricultural Production	-	-
Consumer and Other	6,824	-
Total Loans	$ 71,292	$ -

	December 31, 2016	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate	$ -	$ -
Commercial	-	-
Agricultural Production	-	-
Consumer and Other	6,266	-
Total Loans	$ 6,266	$ -

The carrying amounts of loans by performance status are as follows:

	December 31, 2017				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate	$ 18,443,716	$ 392	$ -	$ -	$ 18,444,108
Commercial	7,431,916	1,428	-	-	7,433,344
Agricultural Production	5,828,893	806	-	-	5,829,699
Consumer and Other	2,319,749	8,483	-	-	2,328,232
Total	$ 34,024,274	$ 11,109	$ -	$ -	$ 34,035,383

	December 31, 2016				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
Real Estate	$ 17,801,622	$ 1,975	$ -	$ -	$ 17,803,597
Commercial	7,471,531	36,833	-	-	7,508,364
Agricultural Production	5,683,250	-	-	-	5,683,250
Consumer and Other	2,015,860	2,137	-	-	2,017,997
Total	$ 32,972,263	$ 40,945	$ -	$ -	$ 33,013,208

The carrying amounts of loans by credit quality indicator are as follows:

	December 31, 2017			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	$ 16,627,418	$ 1,740,426	$ 76,264	$ 18,444,108
Commercial	7,240,737	74,299	118,308	7,433,344
Agricultural Production	5,639,900	66,886	122,913	5,829,699
Consumer and Other	2,324,441	-	3,791	2,328,232
Total Loans	$ 31,832,496	$ 1,881,611	$ 321,276	$ 34,035,383

	December 31, 2016			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	$ 17,464,470	$ 252,900	$ 86,227	$ 17,803,597
Commercial	7,330,704	14,187	163,473	7,508,364
Agricultural Production	5,325,760	208,122	149,368	5,683,250
Consumer and Other	2,012,394	-	5,603	2,017,997
Total Loans	$ 32,133,328	$ 475,209	$ 404,671	$ 33,013,208

NOTE F – PREMISES AND EQUIPMENT

Premises and equipment are as follows:

	December 31,	
	2017	2016
Land	$ 215,795	$ 215,795
Buildings and improvements	1,783,618	507,516
Furniture, fixtures and equipment	1,755,711	1,328,470
Construction in Progress	-	987,478
	3,755,124	3,039,259
Accumulated depreciation	(1,500,571)	(1,410,761)
	$ 2,254,553	$ 1,628,498

NOTE G - DEPOSITS

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2017 and 2016 was $2,390,300 and $9,248,544, respectively.

At December 31, 2017, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	
2018	$18,664,925
2019	418,602
2020	65,746
2021	50,000
2022	-
Thereafter	-
	$19,199,273

NOTE H – FEDERAL FUNDS LINE

The Company has an unsecured federal funds line at The Independent BankersBank with an aggregate available credit limit of $4,000,000 at December 31, 2017. There were no amounts outstanding under this line as of December 31, 2017 and 2016. Federal funds lines are uncommitted and funding requests made by the Company are subject to the lending institutions' approval and funding availability at the time of request.

NOTE I – LOAN COMMITMENTS AND OTHER RELATED ACTIVITY

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance sheet risk at December 31, 2017 and 2016, were as follows:

	2017	2016
Unfunded commitments to extend credit	$ 7,682,770	$ 5,020,761
Commercial and standby letters of credit	74,529	78,541

NOTE J – MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of 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 weightings, and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in at a rate of 0.625% per year from 0.0% for 2015 to 2.5% by 2019. The capital conservation buffer for 2017 is 1.25%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes, as of December 31, 2017, that the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2017 and 2016, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual and required capital amounts and ratios as of December 31, 2017 and 2016 are presented in the following table.

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2017						
Total capital (to risk weighted assets)	$ 13,373	25.5%	$ 4,187	8.0%	$ 5,234	10.0%
Tier 1 capital (to risk weighted assets)	12,910	24.7%	3,141	6.0%	4,187	8.0%
Common Tier 1 capital (to risk weighted assets)	12,910	24.7%	2,355	4.5%	3,402	6.5%
Tier 1 capital (to average assets)	12,910	10.3%	5,012	4.0%	6,265	5.0%
As of December 31, 2016						
Total capital (to risk weighted assets)	$ 12,842	23.2%	$ 4,433	8.0%	$ 5,541	10.0%
Tier 1 capital (to risk weighted assets)	12,358	22.3%	3,325	6.0%	4,433	8.0%
Common Tier 1 capital (to risk weighted assets)	12,358	22.3%	2,493	4.5%	3,602	6.5%
Tier 1 capital (to average assets)	12,358	9.5%	5,193	4.0%	6,491	5.0%

NOTE K – EMPLOYEE BENEFIT PLANS

401(k) Plan

The Company has a 401(k) plan in which substantially all eligible employees participate. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. Under this plan, the Company is allowed an annual contribution at the discretion of the Board of Directors. For the years ended December 31, 2017 and 2016, expense related to the plan amounted to $38,950 and $50,400, respectively.

Deferred Cash Incentive Plan

The Company started a deferred compensation plan during 2015 that covers three officers. Under the plan, the Company contributes a predetermined percentage of the officers' current compensation to the deferral account. The benefit is payable to the employee or their beneficiary in a one-time lump sum payment triggered by the individual's final distribution age, termination of service, death, disability or change in control. A liability is accrued for the obligation under this plan. The expense incurred for the deferred cash incentive plan for the years ended December 31, 2017 and 2016 was $24,895 and $22,417, respectively. This resulted in a deferred compensation liability of $54,199 and $29,224 as of December 31, 2017 and 2016, respectively. The deferred compensation liability is included in other liabilities on the balance sheet.

Salary Continuation Plan

The Company started a salary continuation agreement with one key executive in 2015. Under the agreement, the Company pays the participant, or their beneficiary, an annual benefit of $45,055 over 10 years beginning with the individual's retirement. If a qualifying event, other than death, occurs prior to retirement, the benefit payment will be made as a one-time lump sum. A liability is accrued for the obligation under this plan. In 2017 and 2016, compensation expense in the amount of $34,947 and $33,247 was recorded in connection with the agreement, which brought the ending balance for the salary continuation accrual to $78,913 and $43,966. The salary continuation liability is included in other liabilities on the balance sheet.

NOTE L – RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to executive officers, principal shareholders and directors and parties affiliated with those persons (collectively, "insiders"). The Company has loans to insiders aggregating $1,538,394 and $1,306,008 at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, deposits from insiders totaled $4,859,182 and $6,966,429 respectively.

NOTE M – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

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

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

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

Securities Available for Sale – Securities are recorded at fair value on a recurring basis based upon measurements obtained 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, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2).

Impaired Loans – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants (Level 3).

Foreclosed Real Estate – The Company does not record foreclosed real estate at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these properties to reflect the current appraised value (less an estimate of cost to sell). In some cases, the properties for which appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for real estate held for sale are obtained from independent appraisers (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities recorded at fair value on a recurring basis:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Securities available for sale				
U.S. Agency	$ -	$ 3,474,713	$ -	$ 3,474,713
Corporate Securities	-	4,061,149	-	4,061,149
Tax-exempt Municipal Securities	-	27,096,842	-	27,096,842
Pass-through Securities	-	25,578,847	-	25,578,847
Agency CMOs	-	2,219,633	-	2,219,633
SBA Security Pools	-	5,458,700	-	5,458,700
	$ -	$ 67,889,884	$ -	$ 67,889,884

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Securities available for sale				
U.S. Agency	$ -	$ 5,584,423	$ -	$ 5,584,423
Corporate Securities	-	3,958,000	-	3,958,000
Tax-exempt Municipal Securities	-	28,792,827	-	28,792,827
Pass-through Securities	-	24,824,596	-	24,824,596
Agency CMOs	-	3,343,067	-	3,343,067
SBA Security Pools	-	4,446,959	-	4,446,959
	$ -	$ 70,949,872	$ -	$ 70,949,872

During 2017 and 2016, there were no Level 3 assets or liabilities measured at fair value on a recurring basis.

Assets and liabilities recorded at fair value on a non-recurring basis are summarized below.

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 71,292	$ 71,292

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Impaired loans	$ -	$ -	$ 6,266	$ 6,266
Foreclosed real estate	-	-	34,675	34,675

Impaired loans, which are measured for impairment using the fair value of collateral for collateral dependent loans, had a carrying amount of $71,292 and $6,266 with no valuation allowance at December 31, 2017 and 2016.

At December 31, 2016, foreclosed real estate had an initial cost basis of $34,675, with no valuation allowance.