DELHI BANK CORP.

2023 Annual Report

subsidiary

THE DELAWARE NATIONAL BANK • DELHI, N.Y. • ORGANIZED 1839

The Delaware National Bank of Delhi

CORPORATE INFORMATION

CORPORATE HEADQUARTERS
Delhi Bank Corp.
124 Main Street • Delhi NY 13753
855-413-3544

ANNUAL MEETING
Tuesday June 18, 2024, 1:00 p.m.
The Delaware National Bank of Delhi
Main Office
124 Main Street • Delhi NY 13753

STOCK INFORMATION
The common stock of Delhi Bank Corp. is quoted on the OTC Markets under the symbol “DWNX”. Information can be obtained from www.otcmarkets.com.

STOCK TRANSFER AGENT
The Delaware National Bank of Delhi
124 Main Street • Delhi NY 13753
855-363-3544

MARKET MAKER
Raymond James & Associates, Inc.
800-800-4693

DIVIDEND REINVESTMENT AND OPTIONAL CASH PURCHASE PLAN
Shareholders may participate in the Dividend Reinvestment and Optional Cash Purchase Plan. The plan provides that additional shares of common stock may be purchased with reinvested dividends and by voluntary cash payments. A plan description and enrollment form may be obtained upon request from The Delaware National Bank of Delhi.

DIVIDEND CALENDAR
Dividends on Delhi Bank Corp. common stock are customarily payable on or about the 15th of January, April, July, and October.

DIRECT DEPOSIT OF DIVIDENDS
Direct Deposit is a safe, convenient method for the receipt of dividend payments. Direct deposits to a checking, savings, or other account can be arranged by contacting The Delaware National Bank of Delhi.

INVESTOR/SHAREHOLDER INQUIRIES
Requests for information or assistance regarding Delhi Bank Corp. should be directed to The Delaware National Bank of Delhi.

THE DELAWARE NATIONAL BANK OF DELHI

BANK LOCATIONS

MAIN BANK
124 Main Street • Delhi, NY
855-413-3544

MARGARETVILLE BRANCH
42568 State Highway 28 • Margaretville, NY
855-423-3544

DAVENPORT BRANCH
2503 Prosser Hollow Road • West Davenport, NY
855-433-3544

HOBART BRANCH
1058 Main Street • Hobart, NY
855-443-3544

SIDNEY LOAN OFFICE
276 State Highway 7 • Sidney, NY
855-483-3544

BANK WEBSITE AND EMAIL

Website: www.dnbd.bank
Email: dnb@dnbd.net

TRUST SERVICES

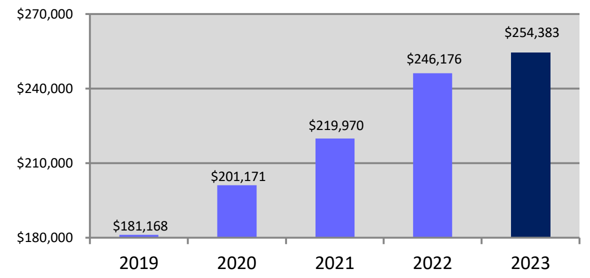
124 Main Street • Delhi, NY
855-363-3544
trust@dnbd.net

- Investment Management
- Estate Settlement
- Trusteeship
- Custodianship
- Transfer and/or paying agent
- Singular purchase/sale of securities
- Estate/Trust management
- Consultation

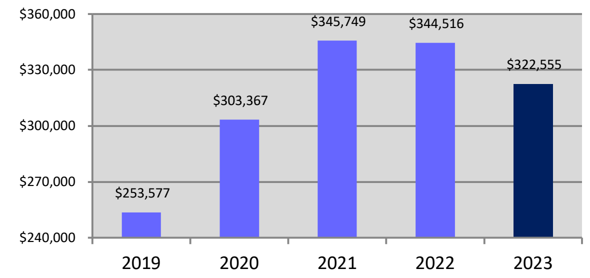
FINANCIALS AT A GLANCE

Dollars in thousands, except Closing Stock Price

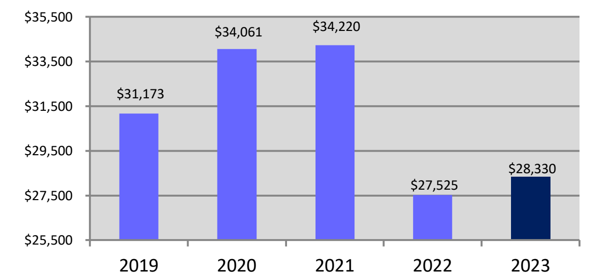
TOTAL LOANS



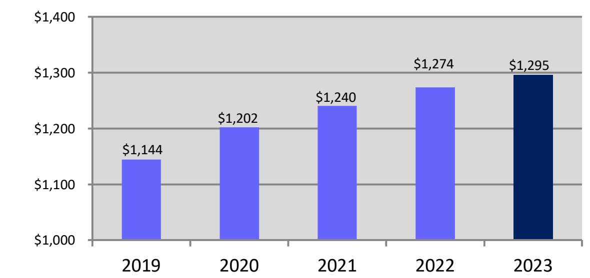
TOTAL DEPOSITS



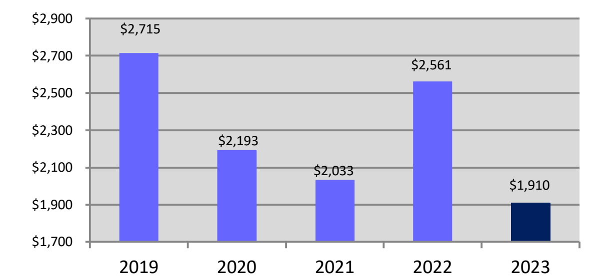
TOTAL CAPITAL



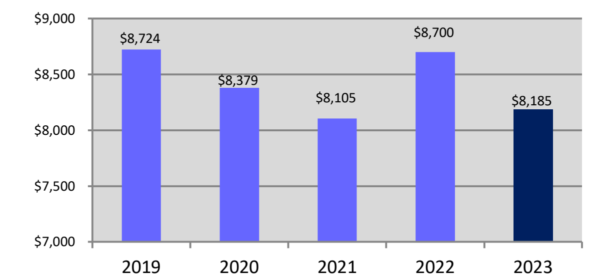
DIVIDENDS DECLARED



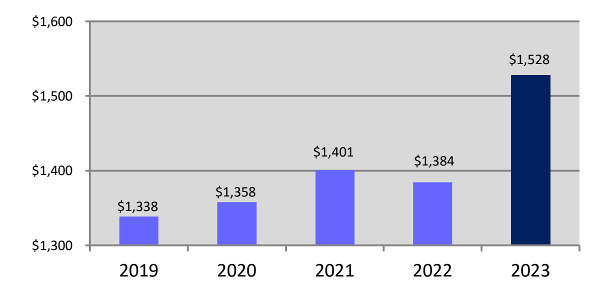
NET INCOME



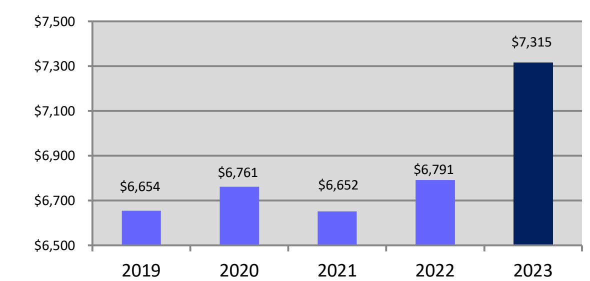
NET INTEREST INCOME



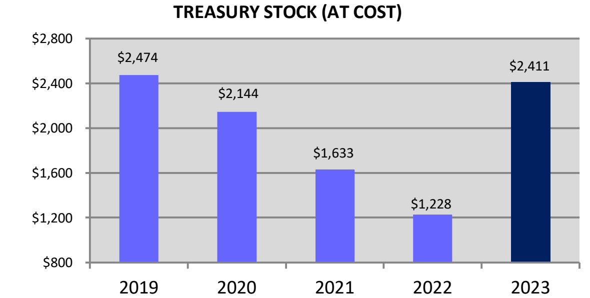
NON INTEREST INCOME



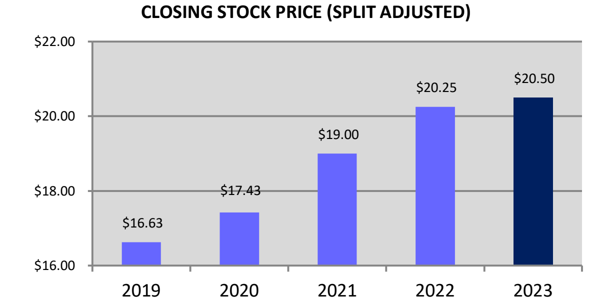
NON INTEREST EXPENSE



TREASURY STOCK (AT COST)



CLOSING STOCK PRICE (SPLIT ADJUSTED)



PRESIDENT'S MESSAGE
2024

To Our Stockholders,

The year 2023, while very challenging, was another great year for Delhi Bank Corp. The effects of the 11 Federal Funds Rate increases, totaling 525 basis points, that began in 2022 and continued into 2023 is impacting our daily lives. The tightening cycle was the fastest implemented by the Federal Open Market Committee since the early 1980's. The ramifications of these moves are felt universally from corporations to individuals alike. While the Federal Reserve strives to get inflation under control before an interest rate reduction can occur, the buzz phrase "higher for longer" has gained traction. Interest rates, inflation, geopolitical issues and the upcoming Presidential election are just a few items that will capture everyone's attention for the remainder of 2024.

Net Income per share was $0.56, compared to the prior year's results of $0.76. The Bank's Net Income was $1.91million, compared to 2022, which was $2.56 million.

Total assets decreased by 1.34%. Investment securities decreased by 4.82%, while net loans increased 3.33%. Deposits decreased by 6.37%. Capital increased by 2.93%, making our capital to assets ratio 7.63% at year end. The increase in loans was created predominately by local demand. As always, we are very proud to be your community Bank.

The last shares of Delhi Bank Corp. traded in 2023 were at $20.50. The common stock book value per share at December 31, 2023, was $8.35 based on the actual number of common shares outstanding. Your Board of Directors declared cash dividends of $0.3822 per share in 2023, which was a 1.33% increase over the dividends declared in 2022. This equates to a dividend yield of 1.86% based on the year end market price. Including the dividend declared at year end, Delhi Bank Corp. has maintained or increased the dividend payout for 68 consecutive quarters.

The Delaware National Bank of Delhi has once again earned Bauer's top (5-Star) rating for financial strength and stability. Having earned this rating for 116 consecutive quarters, The Delaware National Bank of Delhi has earned Bauer's highest designation as a "*Best of Bauer Bank.*" Only banks that have earned and maintained this highest 5-Star rating for 25 years (100 consecutive quarters), or longer, may claim this distinction. "This latest rating signifies that The Delaware National Bank of Delhi continues to be one of the strongest banks in the nation. It gives me great pleasure to announce that there are still banks, like The Delaware National Bank of Delhi, that continue to provide a sense of security in this insecure world," heralds Karen Dorway, president of BauerFinancial. "Friends and neighbors of The Delaware National Bank of Delhi probably already know this. They have the privilege of having a true community bank that sticks to common-sense banking values, right in their community. It's important to let those who might not be aware, know that they have the strength of a 5-Star bank right in their midst. Since its inception in 1839, The Delaware National Bank of Delhi has been a dedicated anchor to this community."

During my 30 years at The Delaware National Bank of Delhi I have had the pleasure to meet and speak with many. I encourage all Shareholders to stop by the Bank or call me if I can be of any assistance.

Thank you for your continued support. We look forward to a successful 2024 and beyond. Be safe.

Respectfully,

Peter V. Gioffe
President

Independent Auditors' Report

To the Stockholders and Board of Directors of
Delhi Bank Corp. and Subsidiary

Opinion

We have audited the consolidated financial statements of Delhi Bank Corp. and Subsidiary (Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of the allowance for credit losses effective January 1, 2023 due to the adoption of Accounting Standards Codification 326, *Financial Instruments - Credit Losses*. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 13, 2024

Delhi Bank Corp. and Subsidiary

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and due from banks	$ 3,202,199	$ 2,781,448
Interest-bearing deposits with banks	17,669,000	26,629,000
Available-for-sale debt securities	76,395,255	81,003,687
Held-to-maturity debt securities	567,525	623,163
Restricted equity securities	1,114,150	401,850
Loans receivable, net	254,383,417	246,176,205
Premises and equipment, net	4,590,283	4,884,263
Bank owned life insurance	8,400,741	8,151,159
Other assets	5,229,772	5,945,554
Total assets	$ 371,552,342	$ 376,596,329
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 72,166,619	$ 81,067,097
Interest-bearing	250,388,162	263,448,607
Total deposits	322,554,781	344,515,704
Short-term borrowings	15,975,000	150,000
Finance lease liability	55,959	86,661
Other liabilities	4,636,205	4,319,008
Total liabilities	343,221,945	349,071,373
Stockholders' Equity		
Common stock, $1 par; 5,000,000 shares authorized; 3,538,700 shares issued and 3,394,220 shares outstanding in 2023, and 3,499,856 shares issued and 3,399,815 shares outstanding in 2022	3,538,700	3,499,856
Additional paid-in capital	5,999,530	5,311,119
Retained earnings	30,580,790	29,966,084
Accumulated other comprehensive loss	(9,377,207)	(10,024,140)
Treasury stock, at cost; 144,480 shares in 2023 and 100,041 shares in 2022	(2,411,416)	(1,227,963)
Total stockholders' equity	28,330,397	27,524,956
Total liabilities and stockholders' equity	$ 371,552,342	$ 376,596,329

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest and Dividend Income		
Interest and fees on loans	$ 9,839,378	$ 7,873,492
Investments:		
Taxable	1,997,509	1,661,039
Tax-exempt	24,554	52,510
Interest-bearing deposits with banks	414,751	427,132
Dividends	47,449	31,287
Total interest and dividend income	12,323,641	10,045,460
Interest Expense		
Deposits	3,489,069	1,239,619
Borrowed funds and finance lease	650,055	106,066
Total interest expense	4,139,124	1,345,685
Net Interest Income	8,184,517	8,699,775
Provision for Credit Losses (1)	55,000	120,000
Net Interest Income After Provision for Credit Losses	8,129,517	8,579,775
Noninterest Income		
ATM and debit card processing	402,671	387,038
Trust department	381,933	354,405
Service charges and fees	307,698	293,127
Increase in cash surrender value of bank owned life insurance	249,582	222,804
Other	186,236	169,032
Loss on disposal of premises and equipment	-	(42,317)
Total noninterest income	1,528,120	1,384,089
Noninterest Expense		
Salaries and employee benefits	3,892,877	3,749,415
Occupancy and equipment	1,877,345	1,768,598
Professional fees	349,209	313,049
Director fees	174,555	168,260
ATM and debit card processing	221,475	183,333
FDIC premiums	176,482	106,980
Other	623,006	501,577
Total noninterest expense	7,314,949	6,791,212
Income Before Provision for Income Tax	2,342,688	3,172,652
Provision for Income Tax	432,808	611,456
Net Income	$ 1,909,880	$ 2,561,196
Earnings Per Share	$ 0.56	$ 0.76

(1) The Company adopted Accounting Standards Update (ASU) 2016-13 as of January 1, 2023. The 2022 amount presented is calculated under the prior accounting standard.

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 1,909,880	$ 2,561,196
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on available-for-sale securities	818,903	(11,722,794)
Tax effect	(171,970)	2,461,787
Total other comprehensive income (loss)	646,933	(9,261,007)
Total Comprehensive Income (Loss)	$ 2,556,813	$ (6,699,811)

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, January 1, 2022	$ 3,457,937	$ 4,480,193	$ 28,678,487	$ (763,133)	$ (1,633,305)	$ 34,220,179
Net income	-	-	2,561,196	-	-	2,561,196
Other comprehensive loss	-	-	-	(9,261,007)	-	(9,261,007)
Issuance of 41,919 shares of common stock	41,919	816,507	-	-	-	858,426
Purchase of 5,006 shares of treasury stock	-	-	-	-	(102,115)	(102,115)
Sale of 42,836 shares of treasury stock	-	14,419	-	-	507,457	521,876
Dividends declared ($0.3772 per share)	-	-	(1,273,599)	-	-	(1,273,599)
Balance, December 31, 2022	3,499,856	5,311,119	29,966,084	(10,024,140)	(1,227,963)	27,524,956
Net income	-	-	1,909,880	-	-	1,909,880
Other comprehensive income	-	-	-	646,933	-	646,933
Issuance of 38,844 shares of common stock	38,844	744,783	-	-	-	783,627
Purchase of 90,199 shares of treasury stock	-	-	-	-	(1,820,567)	(1,820,567)
Sale of 45,760 shares of treasury stock	-	(56,372)	-	-	637,114	580,742
Dividends declared ($0.3822 per share)	-	-	(1,295,174)	-	-	(1,295,174)
Balance, December 31, 2023	$ 3,538,700	$ 5,999,530	$ 30,580,790	$ (9,377,207)	$ (2,411,416)	$ 28,330,397

See notes to consolidated financial statements

Delhi Bank Corp. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net income	$ 1,909,880	$ 2,561,196
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	55,000	120,000
Depreciation	383,242	365,236
Amortization and accretion of investment securities, net	303,659	454,091
Deferred income taxes	(8,058)	277,104
Increase in cash surrender value of bank owned life insurance	(249,582)	(222,804)
Loss on disposal of premises and equipment	-	42,317
Net change in:		
Other assets	582,845	(678,690)
Other liabilities	312,633	55,316
Net cash provided by operating activities	3,289,619	2,973,766
Cash Flows From Investing Activities		
Net change in interest-bearing deposits with banks	8,960,000	10,941,000
Purchase of available-for-sale debt securities	(5,910,217)	(10,496,058)
Proceeds from maturities, calls and principal repayments of available-for-sale debt securities	11,033,893	19,278,652
Purchase of held-to-maturity debt securities	(155,557)	(100,000)
Proceeds from maturities, calls and principal repayments of held-to-maturity debt securities	211,195	262,025
Purchase of restricted equity securities	(6,088,700)	(5,186,475)
Proceeds from redemption of restricted equity securities	5,376,400	5,113,025
Net change in loans receivable	(8,342,780)	(26,375,714)
Proceeds from sale of foreclosed assets, net	49,593	-
Purchase of premises and equipment	(89,262)	(752,445)
Net cash provided by (used in) investing activities	5,044,565	(7,315,990)
Cash Flows From Financing Activities		
Net change in deposits	(21,960,923)	(1,232,937)
Net change in short-term borrowings	15,825,000	150,000
Principal payments on finance lease liability	(30,702)	(28,717)
Dividends paid	(1,290,610)	(1,266,079)
Issuance of common stock	783,627	858,426
Purchase of treasury stock	(1,820,567)	(102,115)
Proceeds from sale of treasury stock	580,742	521,876
Net cash used in financing activities	(7,913,433)	(1,099,546)
Net Change in Cash and Due From Banks	420,751	(5,441,770)
Cash and Due From Banks, Beginning	2,781,448	8,223,218
Cash and Due From Banks, Ending	$ 3,202,199	$ 2,781,448

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Delhi Bank Corp. (Bank Corp.) and its wholly-owned subsidiary, The Delaware National Bank of Delhi (Bank) (collectively, Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company provides a full range of commercial banking services to individual and small business customers in Delaware County, New York and the surrounding counties. The area is a rural market with an economic base made up of light manufacturing, retail and agricultural businesses. The Company's primary deposit products are demand deposits and interest bearing time and savings accounts. It offers a full array of loan products to meet the needs of retail and commercial customers.

The Bank is subject to regulation by the Office of the Comptroller of the Currency. The Bank Corp. is subject to regulation by the Federal Reserve Bank of New York.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues 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 credit losses, the valuation of investment securities and determination of credit related impairment thereon, and valuation of deferred tax assets.

Cash and Due From Banks

For the purposes of the statements of cash flows, cash and due from banks includes cash on hand and amounts due from other banks.

Interest-Bearing Deposits With Banks

Interest-bearing deposits with banks consist of certificates of deposit and are carried at cost which approximates fair value.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). The Company has no trading securities.

Purchase 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 recorded on the trade date and are determined using the specific identification method.

The Company's portfolio of held-to-maturity debt securities consists of local municipal investments which have a long history of no credit losses. In estimating the net amount expected to be collected for held-to-maturity debt securities in an unrealized loss position, a historical loss based method is utilized to calculate the allowance for credit losses.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the above criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating by a rating agency, and adverse conditions related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies and local municipals. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Restricted Equity Securities

Restricted equity securities consist of investments in the Federal Home Loan Bank of New York (FHLB), the Federal Reserve Bank of New York and the Atlantic Community Bankers Bank. Investments in these entities are restricted and carried at cost.

The Company, as a member of the FHLB system, is required to maintain an investment in the capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. Management considers whether this investment is impaired based on the ultimate recoverability of the cost basis rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of the cost includes (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, (3) the impact of legislative and regulatory changes on the institutions and on the customer base of the FHLB and (4) the liquidity position of the FHLB. Management believes no impairment charge is necessary related to its investment in FHLB stock.

Significant Group Concentration of Credit Risk

The Company grants loans to customers primarily located in Delaware County, New York and the surrounding counties. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic conditions in its marketplace. The Company does not have any significant concentrations from one industry or customer.

Accrued Interest Receivable

The Company made an accounting policy election to exclude accrued interest receivable from the amortized cost basis of loans and securities subject to evaluation for the related allowance for credit losses. Accrued interest receivable on loans is reported as a component of other assets on the consolidated balance sheets, totaled $1,396,949 at December 31, 2023 and is excluded from the estimate of credit losses. Accrued interest receivable on securities, also a component of other assets on the consolidated balance sheets, totaled $274,503 at December 31, 2023 and is excluded from the estimate of credit losses.

Loans Receivable

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 unpaid principal balances, adjusted for the allowance for credit losses and any unamortized deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield over the contractual life of the loan using the interest method.

The loan receivable portfolio is segmented into real estate, commercial and industrial, agricultural and consumer loans. Real estate loans include loans secured by commercial, residential and agricultural properties. Residential loans include 1-4 family mortgage loans and home equity loans. Commercial and industrial loans are secured by equipment, accounts receivable, inventories or other business assets. Agricultural loans are secured by equipment and other farm assets. Consumer loans consist of personal installment and auto loans and credit cards. The segments of the Company's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. Common risk characteristics include loan type, collateral type and geographic location.

Generally, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is well secured. When a loan is placed on nonaccrual status, unpaid interest is reversed against interest income. Interest received on nonaccrual loans generally is either applied to principal or recognized as interest income, depending on management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses on Loans Receivable

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This accounting standard replaced the previously utilized incurred loss method with a current expected loss method (CECL). CECL incorporates an estimate of credit losses for the remaining life of the financial asset using historical loss experience, current economic conditions and reasonable and supportable forecasts. The allowance for credit losses (allowance) generally applies to financial assets including loans and certain off-balance-sheet items such as unfunded loan commitments. The allowance represents management's estimate of expected lifetime credit losses inherent in the loan portfolio as of the consolidated balance sheet date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management's estimate of lifetime credit losses inherent in its unfunded loan commitments and is recorded in other liabilities on the consolidated balance sheet. The allowance is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is estimated using relevant available information from both internal and external sources relating to past events (including the Company's past loan loss experience), current conditions, and reasonable and supportable forecasts.

The allowance for credit losses consists of both specific allocations for individually evaluated loans and allocations for expected credit losses over the life of loans within the Company's loan portfolio segmented into loan pools with similar risk characteristics.

Specific Allocation - Individually Evaluated Loans

Prior to the adoption of CECL, a loan was individually evaluated when the loan was considered impaired. A loan was considered impaired when, based on current information and events, it was probable that the Company would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

With the adoption of CECL, loans that do not share similar risk characteristics with existing pools are evaluated on an individual basis. For loans that are individually evaluated, a specific allowance allocation is established when the collateral value, observable market price, or discounted cash flows of the loan is lower than the carrying value of that loan. The estimated fair values of substantially all of the Company's individually evaluated loans are measured based on the estimated fair value of the loan's collateral.

For loans secured by real estate, estimated fair values are determined through third-party appraisals. When a real estate secured loan becomes individually evaluated, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's consolidated financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted, as appropriate, based on the age of the financial information or the quality of the assets.

Collective Evaluation of Expected Losses - Pool Basis

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using the weighted-average remaining maturity (WARM) method:

- 1-4 Family Mortgage with Escrow
- 1-4 Family Mortgage
- Agricultural LOC
- Agricultural OEL
- Agricultural
- Commercial HELOC
- Commercial LOC
- Commercial Mortgage with Escrow
- Commercial Mortgage
- Commercial
- Consumer Automobile
- Consumer OEL
- Consumer
- Consumer Mobile Home
- Home Equity LOC

The pools identified are similar to the loan classes used in the Company's financial reporting.

The Company chose the WARM method which is a simplified approach to measuring credit losses intended for community institutions with non-complex and homogenous loan pools. The WARM method requires the Company to estimate a future annual loss rate and apply that rate to forecasted balances over the estimated life of the loans in the pools. The estimated future loss rate for each loan pool is derived from historical loss rates (net charge-offs), adding an adjustment for qualitative factors to account for changes in the risk characteristics of the loan portfolio. An economic conditions adjustment is applied as deemed necessary by management based on supportable and reasonable forecasts of economic factors impacting the loan pools.

In applying the WARM method, the Company used the annual net charge-offs as a percentage of average total loan balances (net charge-off percentage) for each loan pool.

The qualitative factors reviewed and added to the base historic loss rate for each loan pool include the following:

1. Lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices.

2. National, regional and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.

3. Nature and volume of the portfolio and terms of loans.

4. Experience, ability and depth of lending management and staff.

5. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.

6. Existence and effect of any concentrations of credit and changes in the level of such concentrations.

7. Effect of other external factors (i.e., competition, legal and regulatory).

8. Changes in the quality of the loan review system.

9. Changes in the value of underlying collateral for collateral-dependent loans.

A majority of the Company's loan assets are residential mortgages to owners. The Company also makes commercial loans for 1-4 family residential real estate investment and other business purposes requested by the customers.

The Company's credit policies determine interest rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual commercial loan interest rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property.

Commercial lending, including commercial real estate loans, generally present a higher level of risk than residential mortgage loans. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate project or business. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired. Consumer loans may entail greater credit risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Residential real estate and home equity loans are secured by the borrower's residential real estate. Residential mortgages have amortizations up to 30 years.

Consumer loans are typically unsecured or secured by the borrower's vehicle, deposits, or securities.

Agriculture loans are typically unsecured or secured by inventory, customer accounts or equipment.

The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for all loan classes. Credit quality risk ratings include regulatory classifications of pass, special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are immediately charged to the allowance for credit losses. Loans not classified are rated pass. To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process encompassing both internal and external oversight. The Company's loan officers are responsible for the timely and accurate risk rating of all loans in the Company's loan portfolio at origination and on an ongoing basis. The Company utilizes an external loan review consultant to conduct a loan review of its portfolio each year. The external consultant generally reviews all commercial loan relationships exceeding a specified threshold.

In addition, regulatory banking agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses and may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for credit losses is adequate.

The Company adopted ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures*, on January 1, 2023. The amendments in the ASU were applied prospectively, and therefore, loan modification and change information is provided for only those items occurring after the January 1, 2023 adoption date.

Based on guidance in ASU 2022-02, a loan modification or refinancing results in a new loan if the terms of the new loan are at least as favorable to the lender as the terms with customers with similar collection risks that are not refinancing or restricting their loans and the modification to the terms of the loan are more than minor. If a loan modification or refinancing does not result in a new loan, it is classified as a loan modification.

There are additional disclosures for modification of loans with borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows. The disclosures are applicable to situations where there is principal forgiveness, interest rate reductions, other than insignificant payment delays, term extensions, or a combination of any of these. If the Company modifies any loans to borrowers in financial distress that involves principal forgiveness, the amount of principal that is forgiven is charged off against the allowance.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated lives of the assets. Finance lease right-of-use assets are recorded at an amount equal to the lease liability at commencement plus initial direct costs and are amortized over the shorter of the lease term or the estimated life of the asset. The lease liability is equal to the present value of the minimum lease payments. Amortization of finance lease right-of-use assets is included in depreciation expense.

Bank Owned Life Insurance

The Company is the owner and beneficiary of life insurance policies on certain current and former executive employees and directors. The life insurance investment is carried at the cash surrender value of the underlying policies. The increase in the cash surrender value is recognized as a component of noninterest income. The policies can be liquidated, if necessary, with tax costs associated. The Company intends to hold these policies and, accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Earnings Per Share

Earnings per share is based on the weighted average number of shares of common stock outstanding. The Company's basic and diluted earnings per share are the same since there are no dilutive shares of potential common stock outstanding. Weighted average shares outstanding were 3,394,948 in 2023 and 3,373,704 in 2022.

Advertising Costs

Advertising costs are expensed as incurred and were $45,626 in 2023 and $40,695 in 2022.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Any losses based on the asset's fair value at the date of foreclosure are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs incurred in maintaining foreclosed assets and subsequent adjustments to the carrying amount of the assets are included in noninterest expenses. There were $80,568 of foreclosed assets at December 31, 2023 and $49,593 at December 31, 2022. Residential real estate loans in process of foreclosure at December 31, 2023 were approximately $601,000.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Treasury Stock

Treasury stock is recorded at cost. The subsequent disposition or sale of the treasury stock is recorded using the average cost method.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) consists solely of the net unrealized gains (losses) on available-for-sale debt securities, net of deferred income taxes. Accumulated other comprehensive loss consists of net unrealized losses of $11,869,882 less deferred income tax benefit of $2,492,675 at December 31, 2023 and net unrealized losses of $12,688,785 less deferred income tax benefit of $2,664,645 at December 31, 2022.

Revenue Recognition

The Company recognizes revenue from various sources, including loans, investment securities, bank-owned life insurance, deposit accounts and sales of assets.

Interest income on loans is accrued on the unpaid principal balance and recorded daily. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Other loan fees, including late charges, are recognized as they occur.

Interest income on debt securities, including purchase premiums and discounts, is calculated using the interest method over the term of the securities. Dividends on equity securities are recorded when declared.

Earnings on bank-owned life insurance policies represent the increase in the cash surrender value of these policies as well as any gains resulting from settlement of the policies.

Noninterest income includes service charge, overdraft and other deposit account fees, ATM and debit card interchange income, trust department fees and other miscellaneous fees and income. Revenue is recognized when the Company's performance obligation is completed which is generally monthly for interchange and trust department income or when a transaction has been completed, such as when an overdraft occurs. Other fees and income are generally transactional in nature and are recognized as they occur.

Gains or losses on sales of assets are generally recognized when the asset has been legally transferred to the buyer and the Company has no continuing involvement with the asset.
The Company does not generally finance the purchase.

Consolidated Statements of Cash Flows

Interest paid totaled $3,913,758 in 2023 and $1,316,706 in 2022. Income tax payments totaled $300,000 in 2023 and $490,000 in 2022. Amounts transferred from loans to foreclosed assets was $80,568 and $49,593 in 2023 and 2022, respectively. Dividends payable were $325,166 and $320,602 at December 31, 2023 and 2022, respectively.

Reclassifications

Certain amounts related to 2022 have been reclassified to conform with the 2023 reporting presentation.

Subsequent Events

Subsequent events were evaluated through March 13, 2024, the date the consolidated financial statements were available to be issued.

2. Investment Securities

The amortized cost and fair values of investment debt securities are as follows:

	December 31, 2023			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-sale:				
U.S. government agencies	$ 12,574,172	$ 1,805	$ 1,307,625	$ 11,268,352
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	74,667,556	9,084	10,542,457	64,134,183
Local government obligations	1,023,408	-	30,688	992,720
Total	$ 88,265,136	$ 10,889	$ 11,880,770	$ 76,395,255
Held-to-maturity:				
Local government obligations	$ 567,525	$ 22,491	$ 478	$ 589,538

	December 31, 2022			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-sale:				
U.S. government agencies	$ 15,752,410	$ 4,556	$ 1,495,714	$ 14,261,252
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	76,811,756	20,300	11,185,524	65,646,532
Local government obligations	1,128,306	23	32,426	1,095,903
Total	$ 93,692,472	$ 24,879	$ 12,713,664	$ 81,003,687
Held-to-maturity:				
Local government obligations	$ 623,163	$ 16,878	$ 1,419	$ 638,622

The amortized cost and fair market values of debt securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

	Available-for-Sale Amortized Cost	Available-for-Sale Fair Value
Due in one year or less	$ 14,429	$ 14,312
Due after one through five years	3,721,788	3,545,469
Due after five through ten years	7,005,985	6,740,999
Due after ten years	33,668,058	28,686,860
Mortgage-backed securities	43,854,876	37,407,615
Total	$ 88,265,136	$ 76,395,255

	Held-to-Maturity Amortized Cost	Held-to-Maturity Fair Value
Due in one year or less	$ 183,537	$ 185,104
Due after one through five years	313,988	326,254
Due after five through ten years	70,000	78,180
Total	$ 567,525	$ 589,538

There were no sales of available-for-sale debt securities in 2023 or 2022.

The following tables show the gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	December 31, 2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. government agencies	$ 36,669	$ 118	$ 10,824,460	$ 1,307,507	$ 10,861,129	$ 1,307,625
Mortgage-backed securities, GSE, residential	4,383,518	66,179	58,303,990	10,476,278	62,687,508	10,542,457
Local government obligations	-	-	992,720	30,688	992,720	30,688
Total	$ 4,420,187	$ 66,297	$ 70,121,170	$ 11,814,473	$ 74,541,357	$ 11,880,770
Held-to-maturity:						
Local government obligations	$ -	$ -	$ 52,397	$ 478	$ 52,397	$ 478

	December 31, 2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available-for-sale:						
U.S. government agencies	$ 3,271,964	$ 166,373	$ 10,117,757	$ 1,329,341	$ 13,389,721	$ 1,495,714
Mortgage-backed securities, GSE, residential	18,849,851	1,975,390	44,914,391	9,210,134	63,764,242	11,185,524
Local government obligations	1,000,880	32,426	-	-	1,000,880	32,426
Total	$ 23,122,695	$ 2,174,189	$ 55,032,148	$ 10,539,475	$ 78,154,843	$ 12,713,664
Held-to-maturity:						
Local government obligations	$ 104,332	$ 1,419	$ -	$ -	$ 104,332	$ 1,419

The Company had 164 available-for-sale debt securities in unrealized loss positions at December 31, 2023. The securities have depreciated approximately 14% from the Company's amortized cost basis. These securities are primarily issued by U.S. government agencies and U.S. GSE. The unrealized losses are considered to result from changes in market interest rates subsequent to purchase and not from downgrades in the creditworthiness of the issuers. 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. The Company does not intend to sell these securities nor is it more likely than not that it will be required to sell these securities prior to recovery. The Company estimated no allowance for credit losses for its investment securities classified as available-for-sale debt securities at December 31, 2023.

The Company estimated no allowance for credit losses for its investment securities classified as held-to-maturity at December 31, 2023, as the portfolio consists entirely of local municipal investments.

Investment securities with carrying amounts of $55,692,278 and $41,051,763 at December 31, 2023 and 2022, respectively, were pledged to secure deposits as required or permitted by law.

3. Loans Receivable and Allowance for Credit Losses

Loans receivable at December 31 are summarized as follows:

	2023	2022
Real estate:		
Residential	$ 124,271,103	$ 112,080,650
Commercial	108,720,189	110,780,656
Commercial and industrial	13,811,093	15,799,115
Agricultural	1,098,393	1,212,113
Consumer	3,954,054	3,851,983
Total	251,854,832	243,724,517
Allowance for credit losses	(1,224,567)	(1,159,355)
Deferred loan costs and purchase premiums, net	3,753,152	3,611,043
Net	$ 254,383,417	$ 246,176,205

Included above are individual loans purchased by the Company representing the fully guaranteed portion of loans originated through the Small Business Administration (SBA), U.S. Department of Agriculture and Farm Services Agency originated by the Company. Such loans are irrevocably guaranteed by the full faith and credit of the U.S. government as to principal and accrued interest. No allowance has been provided for these loans based on the guarantee. The table below details these loans by loan type at December 31:

	2023	2022
Real estate:		
Commercial	$ 86,908,203	$ 89,717,239
Commercial and industrial	11,008,502	13,827,692
Agricultural	1,085,762	1,181,441
Total	99,002,467	104,726,372
Allowance for credit losses	-	-
Purchase premiums and origination fees, net	12,870	74,694
Net	$ 99,015,337	$ 104,801,066

The following tables summarize the activity in the allowance for credit losses by loan class for the year ended December 31, 2023, and information in regard to the allowance for credit losses and loans receivable by loan class as of December 31, 2023 under the CECL methodology:

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Allowance for credit losses:						
Beginning balance, January 1, 2023	$ 954,912	$ 151,221	$ 13,800	$ 215	$ 39,207	$ 1,159,355
Charge-offs	-	-	-	-	(36,282)	(36,282)
Recoveries	30,195	-	1,516	-	14,783	46,494
Provision (Credit)	19,067	(4,227)	2,901	(133)	37,392	55,000
Ending balance, December 31, 2023	$ 1,004,174	$ 146,994	$ 18,217	$ 82	$ 55,100	$ 1,224,567
Ending balance individually evaluated for impairment	$ 1,017	$ -	$ -	$ -	$ -	$ 1,017
Ending balance collectively evaluated for impairment	$ 1,003,157	$ 146,994	$ 18,217	$ 82	$ 55,100	$ 1,223,550
Loans receivable at December 31, 2023, total balance	$ 124,271,103	$ 108,720,189	$ 13,811,093	$ 1,098,393	$ 3,954,054	$ 251,854,832
Ending balance individually evaluated for impairment	$ 1,075,290	$ 55,171	$ -	$ -	$ 17,724	$ 1,148,185
Ending balance collectively evaluated for impairment	$ 123,195,813	$ 108,665,018	$ 13,811,093	$ 1,098,393	$ 3,936,330	$ 250,706,647

Prior to the adoption of ASU 2016-13 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred loss methodology. The following table summarizes the activity in the allowance for loan losses by loan class for the year ended December 31, 2022, and information in regard to the allowance for loan losses and the recorded investment in loans receivable by loan class as of December 31, 2022:

	Residential Real Estate	Commercial Real Estate	Commercial and Industrial	Agricultural	Consumer	Total
Allowance for loan losses:						
Beginning balance, January 1, 2022	$ 820,178	$ 140,397	$ 13,370	$ 545	$ 41,305	$ 1,015,795
Charge-offs	-	-	-	-	(27,906)	(27,906)
Recoveries	19,210	-	4,819	-	27,437	51,466
Provision (Credit)	115,524	10,824	(4,389)	(330)	(1,629)	120,000
Ending balance, December 31, 2022	$ 954,912	$ 151,221	$ 13,800	$ 215	$ 39,207	$ 1,159,355
Ending balance individually evaluated for impairment	$ 2,232	$ -	$ -	$ -	$ -	$ 2,232
Ending balance collectively evaluated for impairment	$ 952,680	$ 151,221	$ 13,800	$ 215	$ 39,207	$ 1,157,123
Loans receivable at December 31, 2022, total balance	$ 112,080,650	$ 110,780,656	$ 15,799,115	$ 1,212,113	$ 3,851,983	$ 243,724,517
Ending balance individually evaluated for impairment	$ 986,884	$ 72,957	$ -	$ -	$ 20,466	$ 1,080,307
Ending balance collectively evaluated for impairment	$ 111,093,766	$ 110,707,699	$ 15,799,115	$ 1,212,113	$ 3,831,517	$ 242,644,210

Prior to the adoption of ASU 2016-13, loans were classified as impaired when, based on current information and events, it was probable that the Company would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment included payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined 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 shortfall in relation to the principal and interest owed. If a loan was deemed impaired, a specific valuation was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral.

The following tables summarize information in regards to impaired loans by loan portfolio class as of December 31, 2022, and for the year then ended:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential real estate	$ 797,265	$ 793,292	$ -	$ 742,596	$ -
Commercial real estate	73,023	72,957	-	79,794	-
Consumer	20,466	20,466	-	6,258	-
With an allowance recorded:					
Residential real estate	193,592	193,592	2,232	148,355	-
Totals:					
Residential real estate	990,857	986,884	2,232	890,951	-
Commercial real estate	73,023	72,957	-	79,794	-
Consumer	20,466	20,466	-	6,258	-

The following table presents information on nonaccrual loans at December 31:

	CECL			Incurred Loss
	2023			2022
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Residential real estate	$ 1,022,737	$ 52,553	$ 1,075,290	$ 986,884
Commercial real estate	55,171	-	55,171	72,957
Consumer	17,724	-	17,724	20,466
Total	$ 1,095,632	$ 52,553	$ 1,148,185	$ 1,080,307

The Company recognized no interest income on nonaccrual loans during the year ended December 31, 2023.

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:

	Term Loans					
	2023	**2022**	**2021**	**Prior**	**Revolving**	**Total**
Residential real estate						
Pass	$ 19,538,628	$ 26,849,831	$ 18,955,396	$ 40,340,110	$ 13,639,145	$ 119,323,110
Special Mention	-	160,235	624,881	2,199,231	400,842	3,385,189
Substandard	-	58,827	222,906	1,157,992	123,079	1,562,804
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total residential real estate loans	$ 19,538,628	$ 27,068,893	$ 19,803,183	$ 43,697,333	$ 14,163,066	$ 124,271,103
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate						
Pass	$ 6,922,510	$ 24,022,449	$ 34,955,343	$ 39,825,519	$ 580,042	$ 106,305,863
Special Mention	-	154,607	149,279	609,424	330,824	1,244,134
Substandard	-	-	55,171	1,115,021	-	1,170,192
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total commercial real estate loans	$ 6,922,510	$ 24,177,056	$ 35,159,793	$ 41,549,964	$ 910,866	$ 108,720,189
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Commercial and industrial						
Pass	$ 410,138	$ 390,063	$ 401,028	$ 10,889,790	$ 1,567,241	$ 13,658,260
Special Mention	-	8,431	36,075	44,514	54,740	143,760
Substandard	-	-	-	-	9,073	9,073
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total commercial and industrial Loans	$ 410,138	$ 398,494	$ 437,103	$ 10,934,304	$ 1,631,054	$ 13,811,093
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural						
Pass	$ -	$ -	$ 8,196	$ 1,085,763	$ 4,434	$ 1,098,393
Special Mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total agricultural loans	$ -	$ -	$ 8,196	$ 1,085,763	$ 4,434	$ 1,098,393
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans					
	2023	**2022**	**2021**	**Prior**	**Revolving**	**Total**
Consumer						
Pass	$ 1,638,633	$ 610,278	$ 412,960	$ 1,140,566	$ 71,315	$ 3,873,752
Special Mention	-	14,004	-	47,702	166	61,872
Substandard	-	-	706	17,724	-	18,430
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total consumer loans	$ 1,638,633	$ 624,282	$ 413,666	$ 1,205,992	$ 71,481	$ 3,954,054
Current period gross write-offs	$ 19,536	$ 4,112	$ 10,234	$ 2,400	$ -	$ 36,282
Total loans						
Pass	$ 28,509,909	$ 51,872,621	$ 54,732,923	$ 93,281,748	$ 15,862,177	$ 244,259,378
Special Mention	-	337,277	810,235	2,900,871	786,572	4,834,955
Substandard	-	58,827	278,783	2,290,737	132,152	2,760,499
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total loans	$ 28,509,909	$ 52,268,725	$ 55,821,941	$ 98,473,356	$ 16,780,901	$ 251,854,832
Current period gross write-offs	$ 19,536	$ 4,112	$ 10,234	$ 2,400	$ -	$ 36,282

The following table presents the Company's recorded investment in loans by credit quality indicators as of December 31, 2022:

	2022					
	Residential Real Estate	**Commercial Real Estate**	**Commercial and Industrial**	**Agricultural**	**Consumer**	**Total**
Pass	$ 107,941,543	$ 107,558,002	$ 15,628,494	$ 1,212,113	$ 3,767,934	$ 236,108,086
Special mention	2,589,460	2,236,129	146,419	-	61,038	5,033,046
Substandard	1,549,647	986,525	24,202	-	23,011	2,583,385
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 112,080,650	$ 110,780,656	$ 15,799,115	$ 1,212,113	$ 3,851,983	$ 243,724,517

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of December 31, 2023 and 2022:

	2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater > 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing
Residential real estate	$ 914,585	$ 25,015	$ 314,912	$ 1,254,512	$ 123,016,591	$ 124,271,103	$ -
Commercial real estate	-	-	55,171	55,171	108,665,018	108,720,189	-
Commercial and industrial	-	-	-	-	13,811,093	13,811,093	-
Agricultural	-	-	-	-	1,098,393	1,098,393	-
Consumer	20,682	20,996	5,140	46,818	3,907,236	3,954,054	5,140
Total	$ 935,267	$ 46,011	$ 375,223	$ 1,356,501	$ 250,498,331	$ 251,854,832	$ 5,140

	2022						
	30-59 Days Past Due	60-89 Days Past Due	Greater > 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days Accruing
Residential real estate	$ 416,785	$ 99,816	$ 700,233	$ 1,216,834	$ 110,863,816	$ 112,080,650	$ 78,808
Commercial real estate	31,626	-	55,171	86,797	110,693,859	110,780,656	-
Commercial and industrial	-	-	-	-	15,799,115	15,799,115	-
Agricultural	-	-	-	-	1,212,113	1,212,113	-
Consumer	22,209	-	-	22,209	3,829,774	3,851,983	-
Total	$ 470,620	$ 99,816	$ 755,404	$ 1,325,840	$ 242,398,677	$ 243,724,517	$ 78,808

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

- Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

- Home equity lines of credit are generally secured by second mortgages on residential real estate property.

- Agriculture loans are generally unsecured with no underlying collateral or secured by inventory, customer accounts, or equipment

- Consumer loans are typically unsecured or secured by the borrower's vehicle, deposits, or securities.

The following table details collateral dependent loans as of December 31:

	2023
Residential real estate	$ 1,075,290
Commercial real estate	55,171
Consumer	17,724
Total	$ 1,148,185

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty, such as extensions of terms, insignificant payment delays and interest rate reductions, is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The Company made no loan modifications due to the borrower experiencing financial difficulty in 2023.

4. Premises and Equipment

Premises and equipment at December 31 is summarized as follows:

	2023	2022
Land	$ 744,592	$ 744,592
Buildings and improvements	6,086,987	6,079,859
Furniture and equipment	1,616,065	1,594,772
Right-of-use asset under finance lease	300,000	300,000
Total cost	8,747,644	8,719,223
Less accumulated depreciation	4,157,361	3,834,960
Net	$ 4,590,283	$ 4,884,263

The Company leases a branch facility under the terms of a lease agreement that has been accounted for as a finance lease. The lease expires in 2025. The net book value of the right-of-use asset under finance lease was $33,333 at December 31, 2023 and $53,333 at December 31, 2022.

Future minimum lease payments on the finance lease are as follows:

Years ended December 31:		
2024	$	35,580
2025		23,720
Total minimum lease payments		59,300
Less amount representing interest		3,341
Net present value of minimum lease payments	$	55,959

Interest expense on the finance lease was $4,878 in 2023 and $6,864 in 2022 based on an interest rate of 6.70%. Amortization of the asset was $20,000 in 2023 and 2022. Total cash paid for the finance lease was $35,580 in 2023 and 2022.

5. Deposits

Deposit account balances at December 31 are summarized as follows:

	2023	2022
Noninterest-bearing	$ 72,166,619	$ 81,067,097
Interest-bearing demand	33,631,054	42,402,191
Money market	19,876,019	21,325,546
Savings	103,900,963	114,585,035
Time	92,980,126	85,135,835
Total	$ 322,554,781	$ 344,515,704

Time deposits in denominations of $250,000 and over were $42,551,623 and $34,171,083 at December 31, 2023 and 2022, respectively.

At December 31, 2023, scheduled maturities of time deposits are as follows (in thousands):

2024	$	71,212
2025		9,514
2026		5,190
2027		3,477
2028 and thereafter		3,587
Total	$	92,980

6. Borrowed Funds

The Company has a $1,500,000 unsecured line of credit agreement with the Atlantic Community Bankers Bank. Borrowings bear interest at the prime rate plus .50%, with a floor of 4.00%. The line expires July 2024. There were no borrowings at December 31, 2023 and 2022.

Overnight borrowings with the FHLB were $15,975,000 and $150,000 at December 31, 2023 and 2022, respectively. These borrowings bore interest of 5.64% and 4.61%, respectively.

The Company may borrow funds on a long-term basis from the FHLB up to the amount of eligible collateral (loans and securities) it places with the FHLB. At December 31, 2023, the Company had a borrowing capacity of approximately $69 million. At December 31, 2023, $10 million of that capacity was used on an irrevocable stand-by letter of credit for a municipal customer which expires in January 2024. There were no long-term borrowings at December 31, 2023 and 2022.

7. Income Taxes

The provision for income tax consists of the following:

	2023	2022
Current	$ 440,866	$ 334,352
Deferred	(8,058)	277,104
Total	$ 432,808	$ 611,456

The reconciliation between the expected statutory income tax provision and the actual provision for income tax is as follows:

	2023		2022	
	Amount	Percent	Amount	Percent
Expected provision at statutory rate	$ 491,965	21.0 %	$ 666,257	21.0 %
Tax-exempt income	(56,707)	(2.4)	(57,326)	(1.8)
Other	(2,450)	(0.1)	2,525	0.0
Actual provision and rate	$ 432,808	18.5 %	$ 611,456	19.2 %

The following temporary differences gave rise to the net deferred tax asset at December 31:

	2023	2022
Deferred compensation	$ 891,989	$ 878,712
Allowance for credit losses and loan losses, respectively	285,282	266,987
Unrealized losses on available-for-sale securities	2,492,675	2,664,645
Other	71,723	81,912
Total deferred tax assets	3,741,669	3,892,256
Depreciation	(316,103)	(357,161)
Deferred loan costs	(978,693)	(924,310)
Total deferred tax liabilities	(1,294,796)	(1,281,471)
Net deferred tax asset	$ 2,446,873	$ 2,610,785

The net deferred tax asset is included in other assets in 2023 and 2022.

The Company has elected the option to deduct the net interest income on qualified loans from its New York State taxable income. The Company believes the amount of this deduction will exceed its New York State taxable income for the foreseeable future. As a result, the Company has determined the realization of its net state deferred tax assets is not expected. In 2023 and 2022, the Company was in a net deferred tax liability position for state purposes. As such, no valuation allowance was required. In 2022, the Company was in a net deferred tax asset position for state purposes and recognized a valuation allowance for the amount of the net state deferred tax assets.

The Company had no unrecognized tax benefits at December 31, 2023 and 2022. There were no interest and penalties recognized in the consolidated balance sheets and statements of income in 2023 and 2022.

8. Pension and Postretirement Benefits

In 2022, the Company sponsored two defined contribution plans, a 401(k) plan and a non-leveraged employee stock ownership plan (ESOP) covering substantially all eligible Company employees. Effective January 1, 2023, the Company consolidated the two plans into a combined plan (KSOP) retaining features of both plans. Eligible employees may defer and contribute a percentage of their annual earnings to the plan. The Company contributes 100% of the first 10% of compensation deferred. Pension expense was $227,470 in 2023 and $191,278 in 2022. The KSOP held 368,382 shares of the Company's stock at December 31, 2023 with an estimated fair value of $3,684,000. The ESOP held 344,299 of the Company's stock at December 31, 2022, with an estimated fair value of $3,546,000. Plan shares are eligible to receive dividends and are considered outstanding shares for purposes of computing net income per share.

The Company also has individual deferred compensation arrangements with certain key executives and directors which provide supplemental retirement benefits. The total of these obligations was $3,706,922 and $3,650,614 at December 31, 2023 and 2022, respectively. Deferred compensation expense was $349,508 in 2023 and $335,468 in 2022.

9. Related-Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers, directors, significant shareholders (greater than 10%) and their business affiliates. Such transactions were made on substantially the same terms and at those rates prevailing at the same time for comparable transactions with other customers. The following table summarizes the activity in these loans:

	2023	2022
Balance, beginning	$ 1,412,772	$ 1,798,195
New loans and other changes	300,000	1,175,350
Net activity and other changes	362,638	(1,560,773)
Balance, ending	$ 2,075,410	$ 1,412,772

Other changes result from the addition to or removal of individuals from the related party category. Net activity on existing loans includes advances on existing lines of credit and repayments on existing loans.

The Company held deposits of $873,988 and $750,693 for related parties at December 31, 2023 and 2022, respectively.

A director of the Company provides professional legal services to the Company. Fees for these services were approximately $45,895 in 2023 and $57,300 in 2022.

10. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The Company's exposure to credit loss is represented by the contractual amounts of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not be collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued 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 letters of credit is essentially the same as that involved in extending loans.

To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Company's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate. The Company has not incurred any losses on its commitments in either 2023 or 2022.

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

	2023	**2022**
Commitments to extend credit (including lines of credit)	$ 22,576,997	$ 25,326,462
Standby letters of credit	487,588	467,024

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures which is included in other liabilities on the consolidated balance sheets. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in Other Noninterest Expense on the consolidated statement of income. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

For the year ended December 31, 2023, the Company recorded a provision for credit losses for unfunded commitments of $15,000. At December 31, 2023, the liability for credit losses on off-balance-sheet credit exposures was $95,000.

11. Fair Value Disclosures

Fair value is defined as an exit price representing the amount that would be received to sell an asset or settle a liability in an orderly transaction between market participants. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Valuation is determined from quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company's own estimates about the assumptions that a market participant would use to value the asset or liability.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale:				
U.S. government agencies	$ -	$ 11,268,352	$ -	$ 11,268,352
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	-	64,134,183	-	64,134,183
Local government obligations	-	992,720	-	992,720
Total	$ -	$ 76,395,255	$ -	$ 76,395,255

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale:				
U.S. government agencies	$ -	$ 14,261,252	$ -	$ 14,261,252
U.S. government sponsored enterprises, (GSE), mortgage-backed securities, residential	-	65,646,532	-	65,646,532
Local government obligations	-	1,095,903	-	1,095,903
Total	$ -	$ 81,003,687	$ -	$ 81,003,687

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

All debt securities are measured at fair value using quoted prices from an independent third party that provide valuation services, such as matrix pricing, for similar assets, with similar terms in actively traded markets.

The following table sets forth the Company's financial assets and liabilities subject to fair value adjustments on a nonrecurring basis by level within the fair value hierarchy:

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Individually evaluated loans, net	$ -	$ -	$ 51,536	$ 51,536

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Individually evaluated loans, net	$ -	$ -	$ 191,360	$ 191,360

Individually evaluated loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Such collateral is primarily real estate whose value is based on appraisals performed by certified appraisers. These values are generally adjusted based on management's knowledge of changes in market conditions or other factors. Since the adjustments may be significant, are based on management's estimates and are generally unobservable, they have been classified as Level 3.

The appraisals may be adjusted by management for qualitative reasons and estimated liquidation expenses. Management's assumptions may include consideration of location and occupancy of the property and current economic conditions. At December 31, 2023 and 2022, to account for these factors, negative adjustments to the appraisal value between 15-20% (weighted average of 15.0% and 15.3%, respectively) were made and liquidation expenses of 6% were assumed.

In addition to the disclosures of financial instruments recorded at fair value, GAAP requires the disclosure of the estimated fair value of all the Company's financial instruments. The majority of the Company's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Company's general practice and intent is to hold its financial instruments to maturity. The Company has considered the fair value measurement criteria as required under the accounting standard relating to fair value measurement as noted above. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

	2023				
	Carrying Amount	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Cash and due from banks	$ 3,202,199	$ 3,202,199	$ 3,202,199	$ -	$ -
Interest-bearing deposits with banks	17,669,000	17,669,000	-	17,669,000	-
Available-for-sale debt securities	76,395,255	76,395,255	-	76,395,255	-
Held-to-maturity debt securities	567,525	589,538	-	589,538	-
Restricted equity securities	1,114,150	1,114,150	-	1,114,150	-
Loans receivable, net	254,383,417	219,118,000	-	-	219,118,000
Accrued interest receivable	1,689,583	1,689,583	-	1,689,583	-
Financial liabilities:					
Deposits	322,554,781	322,375,655	-	322,375,655	-
Accrued interest payable	292,989	292,989	-	292,989	-

	2022				
	Carrying Amount	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Cash and due from banks	$ 2,781,448	$ 2,781,448	$ 2,781,448	$ -	$ -
Interest-bearing deposits with banks	26,629,000	26,629,000	-	26,629,000	-
Available-for-sale debt securities	81,003,687	81,003,687	-	81,003,687	-
Held-to-maturity debt securities	623,163	638,622	-	638,622	-
Restricted equity securities	401,850	401,850	-	401,850	-
Loans receivable, net	246,176,205	213,377,000	-	-	213,377,000
Accrued interest receivable	2,104,067	2,104,067	-	2,104,067	-
Financial liabilities:					
Deposits	344,515,704	343,812,869	-	343,812,869	-
Accrued interest payable	67,623	67,623	-	67,623	-

The carrying value of short-term financial instruments, as listed below, approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities and carry interest rates that approximate market.

Assets	Liabilities
Cash and due from banks	Demand and savings deposits
Interest-bearing deposits with banks	Accrued interest payable
Accrued interest receivable	

The fair value methodology for available-for-sale debt securities was described previously. The fair value methodology for held-to-maturity debt securities is similar to the methodology for available-for-sale debt securities. The fair value of restricted equity securities is considered to approximate its carrying value as there is no market for these securities and the stock is redeemable at par value.

For short-term loans and variable rate loans which reprice within 90 days, the carrying value is considered to approximate fair value. For other types of loans, fair value was estimated by discounting cash flows using current market interest rates for similar loans, adjusted to reflect credit risk.

The fair value of interest-bearing time deposits is estimated by discounting contractual cash flows using current market rates for instruments with similar maturities.

The fair value of commitments to extend credit is estimated using the fees currently charged for similar agreements. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of standby letters of credit is based on fees currently charged for similar agreements plus the estimated cost to terminate or otherwise settle the obligations. The fair value of these instruments is considered immaterial and have been excluded from the tables.

12. Regulatory Matters

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated 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 its assets, liabilities and certain off-balance sheet items 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.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following table) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50%, comprised of common equity Tier 1 capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions.

The Bank has elected the community bank leverage ratio framework. This framework simplifies the regulatory capital requirements by requiring the Bank meet only the Tier 1 capital to average assets (leverage) ratio. The Bank must only maintain a leverage ratio greater than the 9% required minimum to be considered well capitalized under this framework. The Bank can opt out of the new framework and return to the risk-weighting framework at any time.

Management believes, as of December 31, 2023, that the Bank meets all capital adequacy requirements to which they are subject. As of December 31, 2023, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios are as follows:

	2023			
	Actual		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio
Tier 1 (core) capital (to average assets)	$ 37,932	9.9 %	$ 34,447	9.0 %
	2022			
Tier 1 (core) capital (to average assets)	$ 37,736	9.7 %	$ 35,074	9.0 %

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Bank Corp. meets the eligibility criteria and is exempt from regulatory capital requirements.

The Bank is subject to legal limitations on the amount of dividends that can be paid to the Bank Corp. without regulatory approval. Generally, the dividend limit is equal to the current and preceding two years net income less dividends paid during the same period. However, dividend payments would be prohibited if the effect would cause the Bank's capital to be reduced below minimum capital requirements as discussed above. The Bank's retained earnings available for dividends was approximately $2,176,000 at December 31, 2023.

13. Dividend Reinvestment and Optional Cash Purchase Plan

The Company has a Dividend Reinvestment and Optional Cash Purchase Plan (Plan) for its shareholders. The Plan is designed to provide the Company's stock at no transactional cost to its shareholders. Cash dividends paid to shareholders who are enrolled in the Plan plus voluntary cash deposits received are used to purchase shares either directly from the Company, from shares that become available in the open market or from the Company's previously acquired treasury stock. The Company has reserved 787,500 shares of its unissued common stock for issuance under the Plan. Once these shares are issued, the Plan will terminate but there is no set termination date. Under Regulation A of the Securities Act of 1933, as amended, the Company may offer and sell up to $20 million of eligible securities annually. The Company issued 38,844 shares of common stock in 2023 and 41,919 shares of common stock in 2022 directly from authorized but unissued shares of the Company, plus the Company sold 13,156 shares of treasury stock in 2023 and 14,965 shares of treasury stock in 2022 for a total of 52,000 and 56,884 shares in 2023 and 2022, respectively. As of December 31, 2023, there were 55,001 shares available for future issuance.

DELHI BANK CORP. & SUBSIDIARY

Delhi Bank Corp.

DIRECTORS

Paul J. Roach - Chairman of the Board

Bruce J. McKeegan

Peter V. Gioffe

Kristen L. Baxter

Kurt R. Mable

Michelle D. Catan

Jason J. Miller

Barbara J.D. Davis

OFFICERS

Peter V. Gioffe - President & CEO

Gretchen E. Rossley - Vice President

Bryan R. Boyer - Treasurer

Krystyn L. LaRochelle - Secretary

The Delaware National Bank of Delhi Executive Officers

Peter V. Gioffe - President & CEO

Gretchen E. Rossley - Vice President, Chief Banking Officer

Deirdre A. Hillis - Vice President, Chief Lending Officer

Bryan R. Boyer - Vice President, Controller

Yvonne T. Haynes - Vice President, BSA Officer

Elliott C. Townsend - Vice President, Senior Trust Officer