Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

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

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

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

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

I, Edward R. Cokeley
Name of the Holding Company Director and Official

Chairman & President
Title of the Holding Company Director and Official

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

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

Signature of Holding Company Director and Official

03/11/2020
Date of Signature

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

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

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

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

December 31, 2019
Month / Day / Year

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

Reporter's Name, Street, and Mailing Address

Tri-County Bancorp, Inc.
Legal Title of Holding Company

P.O. Box 305
(Mailing Address of the Holding Company) Street / P.O. Box

West Union	WV	26456
City	State	Zip Code

212 Main Street, West Union, WV 26456
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Joshua A. Weekley	SVP/CFO
Name	Title

304-873-2361
Area Code / Phone Number / Extension

304-873-2949
Area Code / FAX Number

jweekley@westunionbank.com
E-mail Address

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

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

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

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

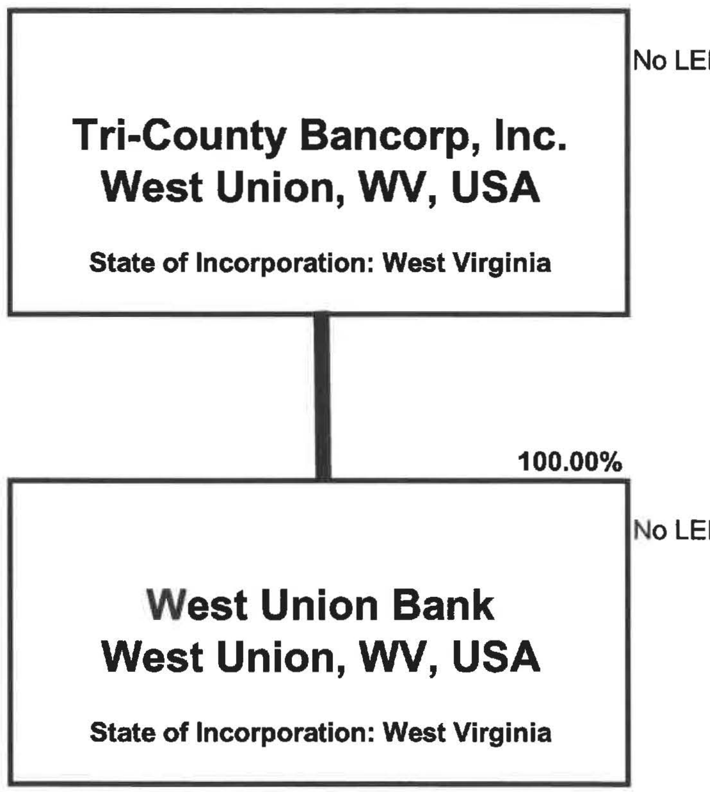
NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Tri-County Bancorp, Inc.

Form FR Y-6

December 31, 2019

Report Item 2a: Organization Chart



FR Y-6 Report
12/31/2019
Tri-County Bancorp, Inc.
West Union, WV

Report Item 2b: Submitted via e-mail on 3/11/2020.

Results: A list of branches for your depository institution: WEST UNION BANK (ID_RSSD: 22730).
This depository institution is held by TRI-COUNTY BANCORP, INC. (3068289) of WEST UNION, WV.
The data are as of 12/31/2019. Data reflects information that was received and processed through 04/05/2020.

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

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

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

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

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

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

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	22730	WEST UNION BANK	212 MAIN STREET	WEST UNION	WV	26456	DODDRIDGE	UNITED STATES	Not Required	Not Required	WEST UNION BANK	22730	
OK		Full Service	3676394	NEWPOINTE PLAZA SHOPPING CENTER BRANCH	320 EMILY DR	CLARKSBURG	WV	26301	HARRISON	UNITED STATES	Not Required	Not Required	WEST UNION BANK	22730	
OK		Full Service	3299225	HARRISVILLE BRANCH	201 E MAIN STREET	HARRISVILLE	WV	26362	RITCHIE	UNITED STATES	Not Required	Not Required	WEST UNION BANK	22730	
OK		Full Service	2051668	PENNSBORO BRANCH	101 EAGLE DRIVE	PENNSBORO	WV	26415	RITCHIE	UNITED STATES	Not Required	Not Required	WEST UNION BANK	22730	
OK		Full Service	2448790	SALEM BRANCH	WEST GATE CENTER	SALEM	WV	26426	DODDRIDGE	UNITED STATES	Not Required	Not Required	WEST UNION BANK	22730	

Tri-County Bancorp Inc
Form FR Y-6
December 31, 2019

Report Item 3: **Shareholders**
(1)(a) (1)(b) (1)(c)

Current Shareholders with ownership, control or holdings of 5% or more with power to vote as of December 31, 2019

(1)(a) Name and Address (City, State, Country)	(1)(b) Country of Citizenship or Incorporation	(1)(c) Number and Percentage of Each Class of Voting Securities	
Scott Windom Cairo, WV	US	25 shares - 0.12%	16.33%
Carolyn E. Farr Trust Harrisville, WV	US	3,325 shares - 16.20%	
Jane M. Hardin Westfield, NJ	US	2,323 shares - 11.32%	
Sara Ann Casey Salem, WV	US	1,500 shares - 7.31%	
David D'Annunzio and Clarksburg, WV	US	636 shares - 3.10%	
Vincent F. D'Annunzio & Jeanette D'Annunzio Clarksburg, WV	US	636 shares - 3.10%	
Nancy Cinci and Donald Cinci III Trustee Boca Raton, FL	US	1250 shares - 6.09%	
The Sandra B. Ryan Family Trust Clarksburg, WV	US	1,102 shares - 5.37%	

Report Item 3: **Shareholders**
(2)(a) (2)(b) (2)(c)

Other Shareholders with ownership, control or holdings of 5% or more with power to vote during the fiscal year ended December 31, 2019

(2)(a) Name and Address (City, State, Country)	(2)(b) Country of Citizenship or Incorporation	(2)(c) Number and Percentage of Each Class of Voting Securities	
Clarence E. Sigly Bridgeport, WV	US	3575 shares - 17.42%	
Barbara L. Sigley Bridgeport, WV	US	4 shares - 0.02%	
Amy R. Zannino Bridgeport, WV	US	3 shares - 0.01%	17.49%
Clarence E. Sigley, Jr. Bridgeport, WV	US	3 shares - 0.01%	
Pamela R. Sigley Bridgeport, WV	US	3 shares - 0.01%	
John J. Droppleman West Union, WV	US	250 shares - 1.22%	
Nancy B. Droppleman West Union, WV	US	66 shares - 0.32%	
H.J. Matthew Droppelman Atlanta, GA	US	125 shares - 0.61%	
James Benjamin Droppleman Smyrna, GA	US	125 shares - 0.61%	5.00%
Margaret Ann Droppleman Morgantown, WV	US	125 shares - 0.61%	
William J. Droppleman Uniontown, OH	US	167 shares - 0.81%	
Joan F. Droppleman Goldstein Longwood, FL	US	167 shares - 0.81%	

During 2019, Clarence E. Sigley, Sr. passed away. Most of his shares were "as agent" with those shares now being controlled by Scott Windom as listed above.

The Droppleman family started 2019 with just over 5% in combined voting power. 50 shares were issued during 2019, which dropped their percentage to just under 5%.

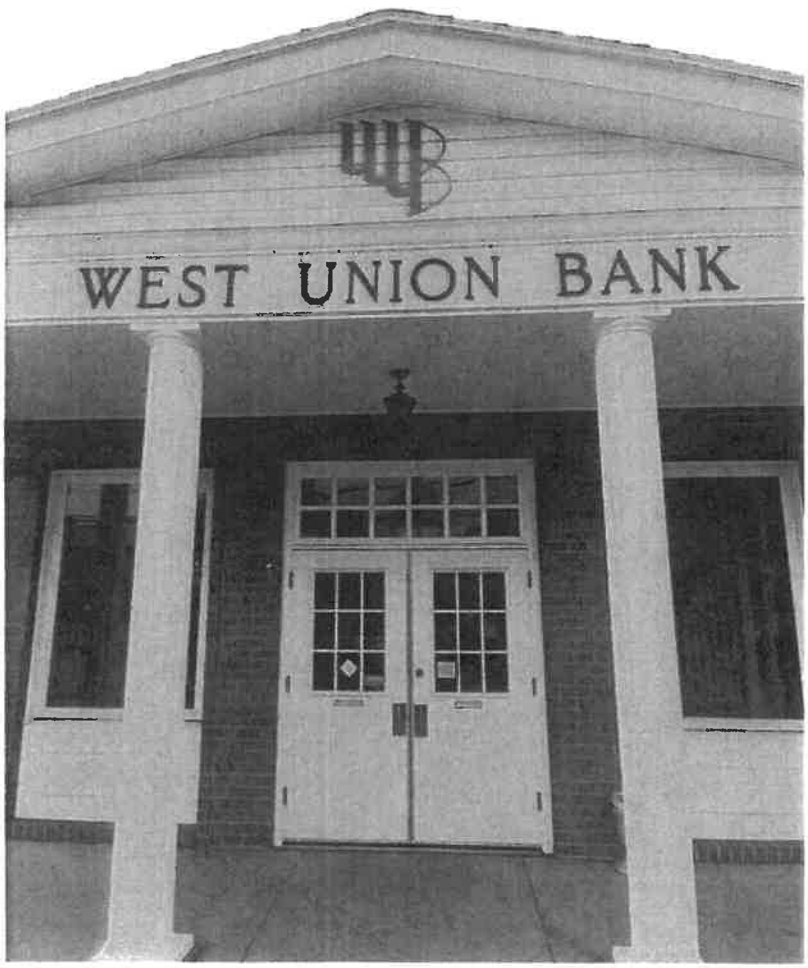
Tri-County Bancorp, Inc
Form FR Y-6
December 31, 2019

Report Item 4: Directors and Officers
(1) (2) (3) (a) (b) (c) and (4) (a) (b) (c)

(1) Names & Address (City, State, Country)	(2) Principal Occupation if other than withBank Holding Company	(3) (a) Title & Position with Bank Holding Company	(3) (b) Title & Position with Subsidiaries (include names of subsidiaries)	(3) (c) Title & Position with Other Businesses (include names of other businesses)	(4) (a) Percentage of Voting Shares in BHC	(4) (b) Percentage of Voting Shares in Subsidiaries	(4) (c) Percentage of Voting Shares in Other Co.
Katherine A. Underwood Salem, WV, USA	N/A	Corporate Secretary	Administrative Assistant Human Resource Director Corporate Secretary West Union Bank	N/A	N/A	N/A	N/A
Stephen H. Maxwell Clarksburg, WV, USA	Retired Financial Officer	Director	Director West Union Bank	Managing Member WBM Heirs Properties, LLC	0.38%	N/A	N/A
				General Partner Franklin Maxwell Heirs LLP #1/#2			N/A
John J. Droppleman West Union, WV, USA	Retired Attorney	Director	Director West Union Bank	General Manager Dropco, LLC	1.22%	N/A	33.33% Dropco, LLC
William A. Farr West Union, WV, USA	Oil & Gas	Director	Director West Union Bank	N/A	1.22%	N/A	N/A
James V. Cann Bridgeport, WV, USA	Attorney	Director	Director West Union Bank	Senior Counsel Flaherty Sensabaugh Bonasso PLLC	0.24%	N/A	N/A
Darwin L. Stump Highlands Ranch, CO, USA	Oil & Gas	Director	Director West Union Bank	Vice President Accounting Operations PDC Energy, Inc.	0.24%	N/A	N/A
Thomas A. McCullough Pennsboro, WV, USA	Retired Funeral Home Director	Director, Vice Chairman, & Vice President	Director & Vice Chairman West Union Bank	Chairman Ritchie County Ambulance Authority	0.68%	N/A	N/A
				Director Ritchie County EDA			
G. Andrew Lang Bridgeport, WV, USA	Real Estate Development & Management	Director	Director West Union Bank	Owner G.A.L. Land Company	0.24%	N/A	100% G.A.L. Land Company
				Owner Energy Plaza Partners, LLC			50% Energy Plaza Partners, LLC
				Owner Jane Lew Holdings			50% Jane Lew Holdings
				Owner GAL Land II, LLC			50% GAL Land II, LLC
				Owner Tyler Mountain Properties, LLC			50% Tyler Mountain Properties, LLC
				Owner FRV Associates, LLC			33% FRV Associates, LLC
				Owner Bridgeport Storage, LLC			33% Bridgeport Storage, LLC
				Owner A & J Land Company, LLC			50% A & J Land Compnay, LLC
Edward R. Cokeley Harrisville, WV, USA	Accountant	Director, Chairman, & President	Director & Chairman West Union Bank	Owner Cokeley & Associates, PLLC	0.26%	N/A	100% Cokeley & Associates, PLLC
				Director W Va Insurance Co.			N/A WV Insurance Mutual Co.
				Owner Briar Hill Energy Inc.			100% Briar Hill Energy Inc.
				Owner Briar Hill Farms			100% Briar Hill Farms, LLC
Jane M. Hardin Westfield, NJ, USA	Attorney	N/A	N/A	General Partner Franklin Maxwell Heirs LLP #1	11.32%	N/A	N/A
Scott A. Windom Cairo, WV	Attorney	N/A	N/A		16.33% (Includes All Voter Rights)	N/A	

Tri-County Bancorp, Inc.
Holding Company of
West Union Bank

Annual Report
2019



West Union Location

Tri-County Bancorp, Inc.

Dear Shareholders,

Tri-County Bancorp, Inc. and its wholly owned subsidiary, West Union Bank, finished 2019 with continued strong growth and a second consecutive year of record earnings. The Company's total assets increased 5.63% during 2019 from $191,116,983 at the end of 2018 to $201,880,154 at the end of 2019. The Company's growth continues to be a result of the local oil and gas industry.

The Company's growth in total assets was due to increases in deposits, which increased $6,642,973, or 3.96%, during 2019. However, during 2019, the Company's loan portfolio of $91,247,427 remained basically at the same level as year-end 2018's balance of $91,276,012, a decline of $28,585, or 0.03%. The growth in deposits was invested in the Company's investment portfolio, which increased $8,352,301, or 9.78% during 2019. The Company, as always, remains ready to meet the credit and deposit needs of north-central West Virginia.

In 2019, the rising interest rate environment of 2018 changed to a declining interest rate environment. However, the Company experienced record earnings for the second consecutive year. Tri-County Bancorp, Inc. earnings were $2,142,258, an increase of $344,533, or 19.16% in 2019. The Company's net income was $1,797,725 for the year ending 2018. The increase in earnings was primarily the result of an increase in net interest income. Net interest income was $6,839,396 for 2019, compared to $6,136,599 for 2018, which was an increase of $702,797, or 11.45%. The increase was a continued result of the investment portfolio changes made in 2018 and 2019 and maintaining the loan portfolio balances.

The past year was another good year for Tri-County Bancorp, Inc. The future business and regulatory environments continue to appear to be improving and the Company is well capitalized and positioned to withstand the coming changes. Based on the Company's continued record earnings, the Board of Director's voted to increase the Shareholder Dividend to $27.00 per share for 2019, an increase of $2.00 per share, or 8.00%.

As the Company moves forward, we continue to be in a position to meet the banking needs of the residents of north-central West Virginia for many years to come and have the ability to adapt to any changes in the economic and regulatory environments, while maintain healthy and profitable growth. The Board of Directors, Bank Management, and all Employees thank you for your continued loyalty and support and recognize that our success depends on it.

Edward R. Cokeley.
President and Chairman of the Board

CONTENTS

actcpas.com

Arnett
Carbis
Toothman llp
CPAs & Advisors

P.O. Box 908
600 Market Place Avenue
Suite 100
Bridgeport, WV 26330
304.624.5471 | 304.623.2807 fax
866.624.5471

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Bancorp, Inc. and subsidiary
West Union, West Virginia

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Tri-County Bancorp, Inc., and subsidiary (Company) which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Bancorp, Inc., and subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019, in accordance with the accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

Bridgeport, West Virginia
March 6, 2020

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

		2019		2018
ASSETS				
Cash and due from banks	$	3,844,766	$	4,339,570
Federal funds sold		126,000		132,000
Interest bearing deposits with other banks		5,094,029		1,768,576
Securities available for sale		93,737,472		85,385,171
Loans, less allowance for loan losses of $1,170,789 and $899,479, respectively		91,247,427		91,276,012
Bank premises and equipment, net		3,249,373		3,169,290
Accrued interest receivable		803,011		798,515
Other assets		3,778,076		4,247,849
Total assets	$	201,880,154	$	191,116,983
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Deposits:				
Non-interest bearing	$	74,256,332	$	64,517,239
Interest bearing		100,092,205		103,188,325
Total deposits		174,348,537		167,705,564
Securities sold under agreements to repurchase		7,059,343		7,021,334
Long Term Debt		369,884		403,623
Dividend payable		554,010		511,725
Other liabilities		938,915		649,021
Total liabilities		183,270,689		176,291,267
Shareholders' Equity				
Common stock, $10 par value, authorized and issued 25,000 shares outstanding 2019, 20,519; 2018, 20,469		250,000		250,000
Capital surplus		307,500		303,750
Retained earnings		18,405,660		16,817,412
Less cost of shares acquired for the treasury 2019, 4,481; 2018, 4,531		(1,361,000)		(1,377,250)
Accumulated other comprehensive income		1,007,305		(1,168,196)
Total shareholders' equity		18,609,465		14,825,716
Total liabilities and shareholders' equity	$	201,880,154	$	191,116,983

See Notes to Consolidated Financial Statements

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
Interest income:			
Interest and fees on loans	$ 5,172,412	$ 4,642,789	$ 3,955,072
Interest on interest bearing deposits with other banks	79,393	59,642	142,347
Interest and dividends on securities:			
Taxable	1,420,968	1,392,287	1,197,808
Tax-exempt	811,812	648,186	424,789
Interest on Federal funds sold	1,349	1,188	686
Total interest income	7,485,934	6,744,092	5,720,702
Interest expense:			
Interest on deposits and borrowed funds	646,538	607,493	494,557
Total interest expense	646,538	607,493	494,557
Net interest income	6,839,396	6,136,599	5,226,145
Provision for loan losses	275,000	380,000	480,000
Net interest income after provision for loan losses	6,564,396	5,756,599	4,746,145
Other income:			
Fees on deposit accounts	464,477	504,282	490,802
Fees on secondary market loans	12,880	11,170	29,207
Other service charges, commissions and fees	546,028	537,171	491,276
Securities gains (losses), net	(78,788)	(203,444)	10,755
(Loss) on sale of foreclosed assets held for resale	(16,976)	(19,506)	(49,505)
	927,621	829,673	972,535
Other expenses:			
Salaries, wages, and employee benefits	2,697,071	2,523,543	2,409,321
Net occupancy expense of bank premises	536,569	522,826	512,793
Data processing	355,132	349,697	346,709
Postage and supplies	120,695	119,217	130,775
Advertising and promotion	91,451	74,612	70,397
Other operating expenses	1,131,441	1,080,856	1,075,169
	4,932,359	4,670,751	4,545,164
Income before income tax expense	2,559,658	1,915,521	1,173,516
Income tax expense	417,400	117,796	375,905
Net income	$ 2,142,258	$ 1,797,725	$ 797,611
Basic earnings per common share	$ 104.47	$ 87.90	$ 39.06
Average common shares outstanding	20,505	20,453	20,421

See Notes to Consolidated Financial Statements

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
Net income	$ 2,142,258	$ 1,797,725	$ 797,611
Other comprehensive income (loss)			
Gross unrealized gains (losses) arising during the period	2,901,347	(875,700)	77,186
Adjustment for income tax (expense) benefit	(783,364)	127,096	(29,107)
	2,117,983	(748,604)	48,079
Less: Reclassification adjustment for (gains) losses included in net income	78,788	203,444	(10,755)
Adjustment for income tax expense (benefit)	(21,270)	54,390	4,302
	57,518	257,834	(6,453)
Other comprehensive income (loss), net of tax	2,175,501	(490,770)	41,626
Comprehensive Income	$ 4,317,759	$ 1,306,955	$ 839,237

See Notes to Consolidated Financial Statements

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2019, 2018 and 2017

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2016	$ 250,000	$ 300,000	$ 14,964,197	$ (1,392,700)	$ (592,080)	$ 13,529,417
Net income	-	-	797,611	-	-	797,611
Other comprehensive income, net of tax	-	-	-	-	41,626	41,626
Impact of tax rate change in deferred taxes (Note 11)	-	-	126,972	-	(126,972)	-
Dividends - $17.50 per share	-	-	(357,368)	-	-	(357,368)
Balance, December 31, 2017	$ 250,000	$ 300,000	$ 15,531,412	$ (1,392,700)	$ (677,426)	$ 14,011,286
Net income	-	-	1,797,725	-	-	1,797,725
Other comprehensive income, net of tax	-	-	-	-	(490,770)	(490,770)
Purchase of Treasury Stock				(800)		(800)
Sale of Treasury Stock		3,750		16,250		20,000
Dividends - $25.00 per share	-	-	(511,725)	-	-	(511,725)
Balance, December 31, 2018	$ 250,000	$ 303,750	$ 16,817,412	$ (1,377,250)	$ (1,168,196)	$ 14,825,716
Net income	-	-	2,142,258	-	-	2,142,258
Other comprehensive income, net of tax	-	-	-	-	2,175,501	2,175,501
Sale of Treasury Stock	-	3,750	-	16,250	-	20,000
Dividends - $27.00 per share	-	-	(554,010)	-	-	(554,010)
Balance, December 31, 2019	$ 250,000	$ 307,500	$ 18,405,660	$ (1,361,000)	$ 1,007,305	$ 18,609,465

See Notes to Consolidated Financial Statements

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,142,258	$ 1,797,725	$ 797,611
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	193,630	178,743	180,218
Provision for loan losses	275,000	380,000	480,000
Provision (benefit) for deferred income taxes	(42,440)	70,977	182,705
Amortization of security premiums and (accretion) of discounts, net	178,578	370,330	365,881
Realized (gain) loss on securities	78,788	203,444	(10,755)
(Gain) loss on sale of other real estate and repossessed assets	16,976	19,506	49,505
Income from cash surrender value of life insurance	(82,021)	(81,640)	(83,100)
(Increase) decrease in accrued interest receivable	(4,496)	(54,244)	(125,183)
(Increase) decrease in other assets	20,546	22,842	1,096,263
Increase (decrease) in other liabilities	56,356	(26,633)	43,334
Net cash provided by operating activities	2,833,175	2,881,050	2,976,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of securities available for sale	28,109,879	15,329,259	10,322,664
Proceeds from maturities and calls of securities available for sale	2,050,538	1,028,622	5,080,000
Proceeds from principal payments of securities available for sale	9,258,758	9,127,781	6,268,481
Purchase of securities available for sale	(45,048,707)	(31,328,105)	(32,188,600)
Net (increase) decrease in Interest bearing deposits with other banks	(3,325,453)	4,095,478	1,982,756
Increase (decrease) in federal funds sold	6,000	(44,000)	(88,000)
Principal collected from (loans made to) customers, net	(341,915)	(3,897,965)	(10,540,433)
Purchases of bank premises and equipment	(281,550)	(73,444)	(54,886)
Proceeds from sale of other real estate	88,953	204,971	103,335
Net cash used in investing activities	(9,483,497)	(5,557,403)	(19,114,683)

Continued

See Notes to Consolidated Financial Statements

TRI-COUNTY BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposits, NOW and savings accounts	7,808,261	4,258,628	17,263,876
Proceeds from sales of (payments for maturing) time deposits, net	(1,165,288)	(2,757,911)	(1,067,264)
Net increase (decrease) in federal funds purchased	-	-	(2,032,000)
Net increase (decrease) in borrowings and repurchase agreements	38,009	1,011,387	2,555,217
Proceeds from long-term debt	-	-	450,000
Principal payments on long-term debt	(33,739)	(32,907)	(13,470)
Net Sale (Purchase) of Treasury Stock	20,000	19,200	-
Dividends paid	(511,725)	(357,368)	(321,631)
Net cash provided by financing activities	6,155,518	2,141,029	16,834,728
Increase (decrease) in cash and due from banks	(494,804)	(535,324)	696,524
Cash and due from banks:			
Beginning	4,339,570	4,874,894	4,178,370
Ending	$ 3,844,766	$ 4,339,570	$ 4,874,894
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
Cash payments for:			
Interest paid to depositors	$ 511,512	$ 503,811	$ 449,141
Interest paid on short-term and long-term borrowings	$ 90,166	$ 109,400	$ 44,935
Income taxes paid	$ 608,982	$ 309,474	$ 202,420
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Other real estate and asset repossessions acquired in settlement of loans	$ 95,500	$ 210,750	$ 56,576
Dividends declared but unpaid	$ 554,010	$ 511,725	$ 357,368

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of business: Tri-County Bancorp, Inc., (the Company) is a bank holding company incorporated in West Virginia. The wholly-owned subsidiary, West Union Bank (the Bank), provides consumer and commercial loans and deposit services principally to individuals and small businesses in Doddridge, Ritchie and Harrison Counties, West Virginia. The operations of the Company and its subsidiary bank, such as loan portfolio management and deposit growth, are directly affected by the market area economy. The economy is to a large extent dependent on the oil and gas and other natural resources industries and, thus, is affected by factors beyond the Bank's control.

Basis of financial statement presentation: The accounting and reporting policies of Tri-County Bancorp, Inc., and its wholly-owned subsidiary, conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Tri-County Bancorp, Inc., and its wholly-owned subsidiary, West Union Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the year ended December 31, 2019, the Company evaluated subsequent events through March 6, 2020, the date the financial statements were available to be issued.

Presentation of cash flows: For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from banks (including cash items in process of clearing). Cash flows from demand deposits, NOW accounts and savings accounts are reported net since their original maturities are less than three months. Cash flows from loans and certificates of deposit and other time deposits are reported net.

Interest bearing deposits with other banks: Interest bearing deposits with other banks are carried at cost.

Securities: Securities are classified as "held to maturity", "available for sale" or "trading" at the time of purchase of each security according to management's intent. The appropriate classification is re-evaluated at each reporting date. The classification is determined as follows:

Securities held to maturity - Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts. At December 31, 2019 and 2018, the Company does not hold any securities classified as held to maturity.

Securities available for sale - Securities not classified as "held to maturity" or as "trading" are classified as "available for sale". Securities classified as "available for sale" are those securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. "Available for sale" securities are reported at estimated fair value net of unrealized gains or losses, which are adjusted for applicable income taxes, and reported as a separate component of shareholders' equity.

Trading securities - Securities in which the Company has the intent to sell in the short term to earn a profit. There are no securities classified as "trading" in the accompanying financial statements.

Realized gains and losses on sales of securities are recognized on the specific identification method. Amortization of premiums and accretion of discounts are computed using methods, which approximate the interest method.

Loans and allowance for loan losses: Loans are stated at the amount of unpaid principal and reduced by the allowance for loan losses.

Interest on loans is accrued daily and credited to operations on the outstanding balances, which is calculated using the simple interest and amortization methods. Accrual of interest is discontinued on an impaired loan when management believes, after considering economic and business conditions and collection efforts, the borrowers' financial condition is such that collection of interest is doubtful. Cash collections on impaired loans are collected or interest is recognized on the cash basis. The method used is determined by the characteristics of the individual loans and management's assessment as to the ultimate collectability of the interest and principal on the loans.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. The subsidiary bank makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, review of specific problem loans and other factors in determining the adequacy of the allowance for loan losses. Loans are charged against the allowance for loan losses when management believes collectability to be unlikely. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the specific loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impaired loans, other than certain large groups of smaller-balance, homogeneous loans that are collectively evaluated for impairment, are required to be reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral if the loan is collateral dependent. The method selected to measure impairment is made on a loan-by-loan basis, unless foreclosure is deemed to be probable, in which case the fair value of the collateral method is used.

For purposes of Accounting Standard Codification (ASC) Topic 310-10-35, *Receivables – Subsequent Measurement*, the Bank considers groups of smaller-balance, homogeneous loans to include: mortgage loans secured by residential property and installment loans to individuals. Accordingly management does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement or are substantially different from the homogeneous loan pool.

Generally, management evaluates all commercial and commercial real estate loans and residential mortgage loans with balances exceeding $75,000 to determine if the loans are required to be placed on nonaccrual status. Loans are placed on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, or part of the principal balance has been charged off and no restructuring has occurred. Generally, after management's evaluation, loans are placed on nonaccrual status when principal or interest is greater than 90 days past due for commercial loans and 120 days past due for consumer loans based upon the loan's contractual terms. When a loan is placed on nonaccrual status, accrued unpaid interest receivable is reversed against interest income and future interest is recognized on the cash method until the loan qualifies for return to accrual status. Generally, a loan is returned to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer in doubt. Interest is accrued daily on impaired loans unless the loan is placed on non-accrual status. Impaired loans are placed on non-accrual status when the payment of principal and interest are in default for a period of 90 days, unless the loan is both well-secured and in the process of collection. Interest on nonaccrual loans is recognized primarily using the cost-recovery method.

Bank premises and equipment: Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using primarily the straight-line method for bank premises and equipment over the estimated useful lives of the assets. Repairs and maintenance expenditures are charged to operating expenses as incurred. Major improvements and additions to premises and equipment are capitalized.

Other real estate: Other real estate consists primarily of real estate held for resale which was acquired through foreclosure of loans secured by such real estate. At the time of acquisition, these properties are recorded at the lower of cost or fair value less estimated cost to sell with any write-down being charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Expenses incurred in connection with operating these properties which are generally not significant are charged to operating expenses. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transactions.

Restricted investment securities: The subsidiary bank is a member of the Federal Home Loan Bank (FHLB) system and the Community Banker's Bank (CBB) federal funds program. FHLB members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. CBB program participants are required to own a certain amount of stock based on various factors tied to quarterly financial analysis. FHLB stock and CBB stock are equity securities which are included in other assets in the accompanying consolidated financial statements. Such securities are carried at cost since they may only be sold back to the respective issuer or another member at par value. These securities are classified as restricted securities and are periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Income taxes: The consolidated provision for income taxes includes Federal and State income taxes and is based on pretax income reported in the financial statements, adjusted for transactions that may never enter into the computation of income taxes payable. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized within a short term.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than fifty percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of income. No interest or penalties were recorded for the years ended December 31, 2019, 2018 or 2017. No uncertain tax positions were recorded in 2019, 2018 or 2017.

Advertising: Advertising and promotion costs are expensed as incurred.

Basic earnings per share: Earnings per common share are computed based upon the weighted average shares outstanding. The weighted average shares outstanding were 20,505, 20,453, and 20,421 for the years ended December 31, 2019, 2018 and 2017, respectively.

Significant Authoritative Guidance: On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The ASU requires a lessee to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with current accounting and financial reporting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current standards, which requires that only capital leases be recognized on the balance sheet, the ASU requires that both types of leases be recognized on the balance sheet through the recognition of a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term, and a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. The ASU also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The accounting by lessors remains largely unchanged from current requirements; but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance. The FASB amended the standard with the issuance of ASU 2017-13 to conform with narrow-scope guidance of the Securities and Exchange Commission regarding adoption timing. The FASB further amended the standard with the issuance of ASU 2018-01 which provides an optional transition practical expedient for the adoption of ASU 2016-02 that, if elected, would not require an organization to reconsider their accounting for existing land easements that are not currently accounted for under the old leases standard. ASU 2018-01 also provides that new or modified land easements should be evaluated under ASU 2016-

02, once an entity has adopted the new standard. Further amendments to the standard came with the issuance of ASU 2018-10, which addresses various narrow aspects of the guidance of Topic 842, and ASU 2018-11, which provides entities with an additional optional transition method of adoption, and provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under Topic 606 of the Accounting Standards Codification, and certain criteria are met. If the non-lease component or components associated with the lease component are the predominant component of the combined component, an entity is required to account for the combined component in accordance with Topic 606. Otherwise, the entity must account for the combined component as an operating lease in accordance with Topic 842. Additional narrow scope amendments have also been prescribed by ASU 2018-20 regarding issues facing lessors when applying Topic 842. On March 5, 2019, the FASB once again amended the standard through the issuance of ASU 2019-01, *Leases (Topic 842): Codification Improvements*, which addresses three issues which involve the alignment of fair value measurements of the lessor underlying assets with existing guidance; the reporting of financial institution lessors payments received under leases as cash flows from investing activities; and exemption of lessors and lessees from certain interim disclosure requirements in the year of adoption. Finally, the FASB amended the effective dates of Topic 842 through the issuance of ASU 2019-10 *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, on November 15, 2019. With the exception of certain amendments under ASU 2019-01, Topic 842 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for public business entities that meet the definition of an SEC filer; not-for-profit entities that have issued, or are a conduit bond obligor for, securities traded, listed, or quoted on an exchange or over-the-counter market; and employee benefit plans that file financial statements with the Securities and Exchange Commission. For these entities, certain amendments of ASU 2019-01 are effective for fiscal years beginning after December 15, 2019, including interim period within those fiscal years. For all other entities, the ASU as amended by ASU 2019-10, is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted for all entities. For entities that adopted the requirements of Topic 842 before the issuance of ASU 2018-10, ASU 2018-20, and ASU 2019-01 certain amendments of those ASUs became effective upon issuance of those certain amendments. The amendments of ASU 2018-20 may be applied retrospectively or prospectively in either the first reporting period beginning or ending after the issuance of ASU 2018-20. For entities that adopted the requirement of Topic 842 before the issuance of ASU 2018-11, the optional transition guidance was effective upon issuance, and the practical expedient guidance may be elected either prospectively in the first financial reporting period following the issuance of ASU 2018-11 or retrospectively to the original adoption or effective date of Topic 842 for the entity.

On June 16, 2016, the FASB issued ASU 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other things, the amendments of this ASU require the measurement of all expected credit losses for financial assets held as of a financial reporting date be based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better determine their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The provisions of this ASU were further amended by the issuance of ASU 2018-19 which mitigates transition complexity by requiring entities other than public business entities, including not-for-profit organizations and certain employee benefit plans, to implement the credit losses standard for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This aligns the implementation date for their annual financial statements with the implementation date for their interim financial statements. The guidance also clarifies that receivables arising from operating leases are not within the scope of the credit losses standard, but rather, should be accounted for in accordance with the leases standard. The FASB further made clarification and targeted guidance improvements to ASU 2016-13 through the issuance of ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* on April 25, 2019. The FASB provided further transition relief with the issuance of ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief* on May 15, 2019, which applies to financial instruments for which the fair value option is elected. Further, the FASB amended Topic 326 on November 15, 2019, through the issuance of ASU 2019-10 *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.* Finally, the FASB amended Topic 326 again through the issuance of ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* on November 26, 2019. ASU 2019-11, among other narrow-scope technical improvements, clarifies guidance around how to report expected recoveries. "Expected recoveries" describes a situation in which an organization recognizes a full or partial write-off of the amortized cost basis of a financial asset, but then later determines that the amount written off, or a portion of that amount, will in fact be recovered. ASU 2019-11 also permits organizations to record expected recoveries on purchased financial assets with credit deterioration. ASU 2019-11 also reinforces existing guidance that prohibits organizations from recording negative allowances for available-for-sale debt securities. Topic 326, as amended, are effective for public companies that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies, as defined by the SEC, for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other financial reporting entities, the ASU on credit losses will take effect for fiscal years beginning after December 15, 2023, and for interim periods within those fiscal years. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, except for the amendments of ASUs 2019-04, 2019-05, and ASU 2019-11, which will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. With respect to ASU 2019-11 for entities that have already adopted ASU 2016-13, the amendments of ASU 2019-11 should be applied on a modified retrospective basis by means of a cumulative-effect adjustment to the opening retained earnings balance in the statement of financial position as of the date that the entity adopted ASU 2016-13.

On August 27, 2018, the Financial Accounting Standards Board issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments of ASU 2018-13 modify the disclosure requirements in Topic 820 by eliminating, modifying, and adding certain disclosure information. The disclosure items eliminated by these amendments are the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements; and for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. Disclosure modifications include replacing the rollforward for Level 3 fair value measurements for a nonpublic entity to disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; disclosure of the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly for investments in certain entities that calculate fair value using the net asset value practical expedient; and clarification that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

Disclosures added by the amendments of this ASU include the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The amendments of ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU No. 2018-13 and delay adoption of the additional disclosures until their effective date.

The management of the Company has not yet concluded their evaluation of the potential effects of these new accounting and financial reporting standard updates.

Recently Adopted Accounting Pronouncement: Accounting Standard Codification 606, Revenue from Contracts with Customers (ASC 606) was effective for the Bank's year ended December 31, 2019 financial statements. The Bank's largest sources of revenues are comprised of net interest income and dividends on the Bank's financial assets, which is explicitly excluded from the scope of ASC 606. The Bank's significant sources of non-interest income consist of service charges and fees, bankcard revenue, and bank owned life insurance (which is also excluded from ASC 606). Accordingly, the adoption of ASC 606 did not have a material impact on the Bank's financial statements.

Note 2. Restrictions on Cash and Due from Banks

The Bank is required to maintain minimum compensating balances with certain correspondent banks. The required compensating balances as of December 31, 2019, were $600,000. The subsidiary bank is required to maintain average reserve balances with the Federal Reserve Bank. At December 31, 2019, the reserve requirement approximated $2,419,000 and consisted of $1,269,000 in usable vault cash and $1,150,000 maintained at the Federal Reserve Bank of Richmond. The Bank does not earn interest on the reserve balance.

The Bank maintains cash and cash equivalents on deposit with other financial institutions. At times, the balances in these accounts may be in excess of federally insured limits. As of December 31, 2019 and 2018, total cash balances held at other institutions that exceeded federally insured limits totaled $4,552,447 and $267,730. The Company believes these financial institutions are financially sound and these concentrations do not present a significant risk.

Note 3. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at December 31, 2019 and 2018, respectively, are summarized as follows:

	2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale				
U.S. Agency Securities	$ 17,039,234	$ 97,482	$ 5,062	$ 17,131,654
Mortgage-backed securities -				
U.S. Government agencies	23,289,816	305,060	143,428	23,451,448
Collaterized Mortgage Obligations	8,573,221	161,414	1,930	8,732,705
State and political subdivisions	43,403,653	988,011	81,480	44,310,184
Equity securities	86,948	24,533	-	111,481
Total	$ 92,392,872	$ 1,576,500	$ 231,900	$ 93,737,472

	2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale				
U.S. Agency Securities	$ 31,873,265	$ 25,394	$ 800,650	$ 31,098,009
Mortgage-backed securities -				
U.S. Government agencies	21,708,151	33,119	454,055	21,287,215
Collaterized Mortgage Obligations	7,433,775	9,109	29,405	7,413,479
State and political subdivisions	25,922,399	71,165	493,458	25,500,106
Equity securities	83,115	3,247	-	86,362
Total	$ 87,020,705	$ 142,034	$ 1,777,568	$ 85,385,171

Mortgage backed obligations of U.S. Government agencies are included in securities at December 31, 2019 and 2018. These obligations, having contractual remaining maturities ranging from 1 to 29 years, are reflected in the following maturity distribution schedule based on their stated anticipated average life to maturity, which ranges from 1 to 9 years. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Accordingly, discounts are accreted over the anticipated average life to maturity of the specific obligation and premiums are amortized to the nearest call date of the specific obligation.

The maturities, amortized cost and estimated fair values of securities are summarized as follows:

	2019 Available for Sale	
	Amortized Cost	Carrying Value (Estimated Fair Value)
Due within 1 year	$ 1,077,617	$ 1,087,198
Due after 1 year but within 5 years	29,936,953	30,289,878
Due after 5 years but within 10 years	20,573,173	20,668,512
Due after 10 years	40,718,181	41,580,403
Equity securities	86,948	111,481
Total	$ 92,392,872	$ 93,737,472

The proceeds from sales, calls and maturities of securities, and principal payments received on mortgage backed obligations and the related gross gains and losses realized are as follows:

	Proceeds From			Gross Realized	
For the Years Ended December 31,	Sales	Calls and Maturities	Principal Payments	Gains	Losses
2019					
Securities available for sale	$ 28,109,879	$ 2,050,538	$ 9,258,758	$ 135,605	$ 214,393
2018					
Securities available for sale	$ 15,329,259	$ 1,028,622	$ 9,127,781	$ -	$ 203,444
2017					
Securities available for sale	$ 10,322,664	$ 5,080,000	$ 6,268,481	$ 10,755	$ -

Investment securities with amortized costs of $41,843,679 and $34,751,936, respectively, with estimated fair values of $42,407,745 and $33,935,490, respectively, at December 31, 2019 and 2018 were pledged to secure public deposits and for other purposes required or permitted by law.

Included in obligations of states and political subdivisions at December 31, 2019 are certain obligations to the following states and their political subdivisions:

	2019
Texas	$ 11,505,967
Ohio	$ 3,497,967
Illinois	$ 2,938,241
West Virginia	$ 2,661,258
Nevada	$ 2,282,994
Iowa	$ 2,110,649
Kansas	$ 2,078,183

There were no significant concentrations to any one political subdivision within these states.

Impairment is evaluated considering numerous factors, and their relative significance varies case to case. Factors considered include the length of time and extent to which the market value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in market value. If, based on the analysis, it is determined that the impairment is other-than-temporary, the security is written down to fair value, and a loss is recognized through earnings.

The Bank has 45 securities in an unrealized loss position as of December 31, 2019. These securities are predominately rated investment grade securities and the unrealized losses are due to overall increases in market interest rates and not due to any underlying credit concerns of the issuers. The Bank has the intent and ability to hold such investments until maturity or market price recovery. Accordingly, the Bank has concluded that no securities in its investment portfolios are other-than-temporarily impaired at December 31, 2019.

The following is a summary of securities available for sale which were in an unrealized loss position as of December 31, 2019 and 2018, respectively.

	2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. Agency Securities	$ 1,190,441	$ 5,062	$ -	$ -	$ 1,190,441	$ 5,062
Mortgage-backed securities -						
U.S. Government agencies	15,790,201	99,689	2,671,768	43,739	18,461,969	143,428
Collaterized Mortgage Obligations	776,272	1,930	-	-	776,272	1,930
State and political subdivisions	7,392,409	79,558	213,078	1,922	7,605,487	81,480
Totals	$ 25,149,323	$ 186,239	$ 2,884,846	$ 45,661	$ 28,034,169	$ 231,900

	2018					
	Less than 12 months		12 months or more		Total	
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. Agency Securities	$ 2,400,354	$ 32,029	$ 24,913,958	$ 768,621	$ 27,314,312	$ 800,650
Mortgage-backed securities -						
U.S. Government agencies	5,752,947	95,108	11,494,070	358,947	17,247,017	454,055
Collaterized Mortgage Obligations	5,313,912	29,405	-	-	5,313,912	29,405
State and political subdivisions	7,299,117	178,783	10,761,233	314,675	18,060,350	493,458
Totals	$ 20,766,330	$ 335,325	$ 47,169,261	$ 1,442,243	$ 67,935,591	$ 1,777,568

Note 4. Loans

Loans are summarized as follows:

	December 31, 2019	December 31, 2018
Commercial	$ 11,960,252	$ 11,679,546
Commercial real estate	39,002,182	39,140,022
Consumer	18,083,551	17,031,695
Residential real estate	18,464,757	19,927,851
Lease financing receivables	4,907,474	4,396,377
Total loans	92,418,216	92,175,491
Less allowance for loan loss	(1,170,789)	(899,479)
Loans, net	$ 91,247,427	$ 91,276,012

The following presents loan maturities as of December 31, 2019:

	Within 1 Year	After 1 But Within 5 Years	After 5 Years
Commerical and commercial real estate	$ 3,381,076	$ 17,337,415	$ 35,151,417
Consumer and lease financing receivable	304,282	11,043,637	6,735,632
Residential real estate	937,616	3,822,897	13,704,244
Total	$ 4,622,974	$ 32,203,949	$ 55,591,293

Loans due after one year with:	
Variable rates	$ 27,239,824
Fixed rates	60,555,418
Total	$ 87,795,242

In the past, the Bank has made loans, in the normal course of business, to its directors, officers and employees, and will continue to make such loans in the future. The following presents the activity with respect to related party loans aggregating $60,000 or more to any one related party during the years ended December 31, 2019 and 2018, respectively.

	2019	2018
Balance, beginning	$ 2,072,763	$ 341,048
Additions	15,305	2,088,689
Amounts collected	(159,859)	(356,974)
Balance, ending	$ 1,928,209	$ 2,072,763

The Bank has a collateral concentration in certain consumer loans. This collateral concentration includes farm and lawn equipment, ATV's and other recreational vehicles. Consumer loans in this concentration approximated 81% and 83% of total consumer loans as of December 31, 2019 and 2018, respectively.

Additionally, the Bank has a collateral concentration in certain commercial real estate loans. This collateral includes multi-family housing units that qualify for the Low-Income Housing Tax Credit under the U.S. Department of Housing and Urban Development. These loans are affiliated with a singular management company. Commercial real estate loans in this concentration approximated 24% and 24% of commercial real estate loans as of December 31, 2019 and 2018, respectively.

The following table presents the contractual aging of the recorded investment of past due loans, segregated by class of loans, as of December 31, 2019 and 2018. Also included are loans that are 90 days or more past due as to interest and principal and still accruing, because they are (a) well secured and in the process of collection or (b) real estate loans.

	December 31, 2019						
	Past Due						Recorded Investment ≥ 90 days and Accruing
	30-59 days	60-89 days	≥ 90 days	Total	Current	Total Loans	
Commercial	$ 5,000	$ -	$ -	$ 5,000	$ 11,955,252	$ 11,960,252	$ -
Commercial real estate:							
Construction	-	-	-	-	4,288,926	4,288,926	-
Other	24,307	-	-	24,307	34,688,949	34,713,256	-
Consumer	95,689	1,303	-	96,992	17,986,559	18,083,551	-
Residential:							
Prime	34,587	6,348	46,076	87,011	18,377,746	18,464,757	6,101
Lease financing	-	-	-	-	4,907,474	4,907,474	-
Total	$ 159,583	$ 7,651	$ 46,076	$ 213,310	$ 92,204,906	$ 92,418,216	$ 6,101

	December 31, 2018						
	Past Due						Recorded Investment ≥ 90 days and Accruing
	30-59 days	60-89 days	≥ 90 days	Total	Current	Total Loans	
Commercial	$ -	$ -	$ -	$ -	$ 11,679,546	$ 11,679,546	$ -
Commercial real estate:							
Construction	-	-	-	-	2,197,213	2,197,213	-
Other	5,710	38,551	-	44,261	36,898,548	36,942,809	
Consumer	137,489	44,723	56,648	238,860	16,792,835	17,031,695	57,422
Residential:							
Prime	407,741	64,707	108,764	581,212	19,346,639	19,927,851	20,644
Lease financing	-	-	-	-	4,396,377	4,396,377	-
Total	$ 550,940	$ 147,981	$ 165,412	$ 864,333	$ 91,311,158	$ 92,175,491	$ 78,066

The following table presents the non-accrual loans included in the net balance of loans at December 31, 2019 and 2018, respectively.

	2019	2018
Residential real estate	190,495	88,305
Total	$ 190,495	$ 88,305

If interest on non-accrual loans had been accrued, such income would have approximated $8,728, $1,209, and $24,913 for the years ended December 31, 2019, 2018 and 2017, respectively.

For purposes of evaluating impairment, the Company will deem a loan to be impaired when, based on current circumstances and events; it is probable that the bank will be unable to collect all amounts due, including principal and interest, according to the original contractual terms of the loan. Determination of impairment is treated the same across all classes of loan.

The following tables set forth impaired loans by class of loan, as of December 31, 2019 and 2018, respectively. The average balances are calculated based on month-end balances of the loans for the period reported.

	December 31, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized while impaired
With no related allowance					
Commercial	$ 470,426	$ 469,715	$ -	$ 496,508	$ 5,357
Residential real estate - prime	112,945	112,945	-	122,273	-
Total with no related allowance	**$ 583,371**	**$ 582,660**	**$ -**	**$ 618,781**	**$ 5,357**
With a related allowance					
Residential real estate - prime	77,550	77,550	13,005	-	-
Total with a related allowance	**$ 77,550**	**$ 77,550**	**$ 13,005**	**$ -**	**$ -**
Total					
Commercial	$ 470,426	$ 469,715	$ -	$ 496,508	$ 5,357
Residential real estate - prime	190,495	190,495	13,005	122,273	-
Total	**$ 660,921**	**$ 660,210**	**$ 13,005**	**$ 618,781**	**$ 5,357**

	December 31, 2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized while impaired
With no related allowance					
Commercial real estate - construction	345,200	338,832	-	271,707	16,584
Residential real estate - prime	89,515	88,305	-	88,910	-
Total with no related allowance	**$ 434,715**	**$ 427,137**	**$ -**	**$ 360,617**	**$ 16,584**
With a related allowance					
Commercial	$ -	$ -	$ -	$ -	$ -
Residential real estate - prime	-	-	-	-	-
Total with a related allowance	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total					
Commercial real estate - construction	345,200	338,832	-	271,707	16,584
Residential real estate - prime	89,515	88,305	-	88,910	-
Total	**$ 434,715**	**$ 427,137**	**$ -**	**$ 360,617**	**$ 16,584**

Included in impaired loans are troubled debt restructurings of $0 and $338,832 as of December 31, 2019 and 2018, respectively.

The following tables present, by class, the subsidiary bank's troubled debt restructurings (TDRs) for the years ended December 31, 2019 and 2018. Generally, the modifications were extensions of term, modifying the payment terms from principal and interest to interest only for an extended period, or reduction in interest rate. All TDRs are evaluated individually for allowance for loan loss purposes.

	2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial real estate-construction	0	$ -	$ -
Total	0	$ -	$ -

	2018		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial real estate-construction	1	$ 163,788	$ 345,200
Total	1	$ 163,788	$ 345,200

No TDRs subsequently defaulted during 2019 or 2018.

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debts such as current financial information, historical payment experience, credit documentation and current economic trends, among other factors.

The Company analyzes loans individually by classifying the loans as to credit risk. The use of creditworthiness categories to grade loans permits management to assess individual risk categories separately to estimate the respective portion of credit risk. The Bank's internal creditworthiness grading system is based on experience with similarly graded loans. Category ratings are reviewed each quarter, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration from one loan risk rating to another. Loans that trend upward toward better ratings generally have a lower risk factor associated; whereas, loans that migrate toward a poorer rating generally will result in a higher risk factor being applied to those related loan balances. The Bank's internal risk ratings on commercial loans based on assessment of borrower creditworthiness are as follows:

Superior: Loans fully secured by cash deposits, investment grade stocks, borrowers with good net worth, liquidity and cash flow consistent with borrowing levels. Collateral value is well in excess of minimum.

Acceptable: Loans with borrowers who have medium or average financial condition, equity, and profitability levels. Cash flow is adequate but may show signs of vulnerability to changing economic or industry conditions. Collateral is adequate to preclude losses.

Special Mention: Loans with an early warning assessment which are currently protected, but portraying one or more deficiencies that may not be tolerable over the intermediate to long term.

Substandard: Loans with well-defined weaknesses, which could lead to impairment of the loan.

Doubtful: Loans with characteristics such that collection of principal is highly unlikely, while possibility of loss is high, sufficient contingencies exist to warrant deferral of charge-off pending the outcome of the contingency.

Loss: Loans judged to be uncollectible and of such value carrying the loan as an asset is not warranted.

The following tables present the recorded investment in loans that are graded based on the risk associated with the loan utilizing the Bank's internal risk rating as of December 31, 2019 and 2018, respectively. Loans classified as Pass below include loans rated as Acceptable or better.

Commercial Credit Exposure - By Internally Assigned Grade

	Commercial		Commercial Real Estate - Construction		Commercial Real Estate - Other	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Superior	$ 3,683,617	$ 4,744,342	$ 13,887	$ 15,961	$ 3,184,505	$ 3,324,925
Acceptable	7,806,920	[illegible]	4,275,040	2,181,252	31,528,750	33,617,884
Special Mention	469,715	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 11,960,252	$ 11,679,546	$ 4,288,927	$ 2,197,213	$ 34,713,255	$ 36,942,809

Residential Real Estate Credit Exposure - By Internally Assigned Grade

	Residential Real Estate - Prime	
	12/31/2019	12/31/2018
Pass	$ 18,234,580	$ 19,839,546
Special Mention	39,682	88,305
Substandard	190,495	-
Doubtful	-	-
Loss	-	-
Total	$ 18,464,757	$ 19,927,851

Consumer Credit Exposure - By Payment Activity

	Performing	
	12/31/2019	12/31/2018
Consumer	$ 18,083,551	$ 16,975,047
Lease		
Financing Receivables	4,907,474	4,396,378
Total	$ 22,991,025	$ 21,371,425

	Nonperforming	
	12/31/2019	12/31/2018
Consumer	$ -	$ 56,648
Lease		
Financing Receivables	-	-
Total	$ -	$ 56,648

Note 5. Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate to provide for the estimate of probable credit losses inherent in the loan portfolio. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. Loans are charged against the allowance for loan losses when it is believed that collectability is unlikely. Future adjustments may be necessary if there are significant changes in conditions.

The allowance is comprised of three distinct reserve components: (1) specific reserves related to loans individually evaluated, (2) quantitative reserves related to loans collectively evaluated, and (3) qualitative reserves related to loans collectively evaluated. A summary of the methodology the Bank employs on a quarterly basis with respect to each of these components in order to evaluate the overall adequacy of the allowance for loan losses is as follows.

Specific Reserve for Loans Individually Evaluated

Management maintains a Watch List for non-performing loans for which there is a possible current or future impairment. Also, on an annual basis the Bank identifies the twenty largest commercial loan borrowers, all loans that are meet the classifications of Regulation O as defined by the Federal Reserve System, classified and criticized loans, direct floor plan loans and a sample of other commercial loans. These loans are identified primarily through the analysis of internal loan evaluations, past due loan reports, and loans adversely classified by regulatory authorities. Each loan so identified is then individually evaluated to determine whether it is impaired – that is, based on current information and events; it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the underlying loan agreement. The Bank measures impairment based on the fair value of the loan's collateral, which is generally, determined utilizing current appraisals. A specific reserve is established in an amount equal to the excess, if any, of the recorded investment in each impaired loan over the fair value of its underlying collateral, less estimated costs to sell.

Quantitative Reserve for Loans Collectively Evaluated

Second, the Bank stratifies the loan portfolio into loan pools. Loans within each pool are then further segmented between (1) loans which were individually evaluated for impairment and not deemed to be impaired, (2) smaller-balance homogenous loans.

Quantitative reserves relative to each loan pool are established using an allocation equaling 100% of the respective pool's average 3 year historical net loan charge-off rate which is applied to the aggregate recorded investment in the smaller-balance homogenous pool of loans.

Qualitative Reserve for Loans Collectively Evaluated

Third, the Bank considers the necessity to adjust the average historical net loan charge-off rates relative to each of the above loan pools for potential risk factors that could result in actual losses deviating from prior loss experience. Such qualitative risk factors considered are: (1) levels of and trends in delinquencies and impaired loans, (2) levels of and trends in charge-offs and recoveries, (3) trends in volume and term of loans, (4) effects of any changes in risk selection and underwriting standards, and other changes in lending policies, procedures, and practices, (5) experience, ability, and depth of lending management and other relevant staff, (6) national and local economic trends and conditions, (7) industry conditions, and (8) effects of changes in credit concentrations.

An analysis of the allowance for loan losses for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Balance, beginning of year	$ 899,479	$ 1,218,532	$ 1,068,440
Losses:			
Commercial	-	-	2,507
Commercial real estate - other	-	535,046	143,364
Consumer	167,333	335,693	290,548
Residential real estate - prime	5,000	32,876	-
Total	172,333	903,615	436,419
Recoveries:			
Commercial	-	-	2,507
Commercial real estate - other	-	39,568	-
Consumer	168,643	162,733	104,004
Residential real estate - prime	-	2,261	-
Total	168,643	204,562	106,511
Net losses	(3,690)	(699,053)	(329,908)
Provision for loan losses	275,000	380,000	480,000
Balance, end of year	$ 1,170,789	$ 899,479	$ 1,218,532

Activity in the allowance for loan losses, by class, as of December 31, 2019 and 2018, respectively are presented as follows.

2019	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Lease Financing Receivables	Unallocated	Total
Allowance for credit losses:							
Beginning balance	$ 131,979	$ 438,453	$ 201,205	$ 67,755	$ 49,679	$ 10,408	$ 899,479
Charge-offs	-	-	167,333	5,000	-	-	172,333
Recoveries	-	-	168,643	-	-	-	168,643
Provision	25,441	95,877	4,742	21,520	17,552	109,868	275,000
Ending balance	$ 157,420	$ 534,330	$ 207,257	$ 84,275	$ 67,231	$ 120,276	$ 1,170,789
Allowance related to:							
Individually evaluated for impairment	$ -	$ -	$ -	$ 13,005	$ -	$ -	$ 13,005
Collectively evaluated for impairment	157,420	534,330	207,257	71,270	67,231	120,276	1,157,784
Total	$ 157,420	$ 534,330	$ 207,257	$ 84,275	$ 67,231	$ 120,276	$ 1,170,789
Loans:							
Individually evaluated for impairment	$ 469,715	$ -	$ -	$ 190,495		$ -	$ 660,210
Collectively evaluated for impairment	11,490,537	39,002,182	18,083,551	18,274,262	4,907,474	-	91,758,006
Total	$ 11,960,252	$ 39,002,182	$ 18,083,551	$ 18,464,757	$ 4,907,474	$ -	$ 92,418,216

2018	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Lease Financing Receivables	Unallocated	Total
Allowance for credit losses:							
Beginning balance	$ 111,410	$ 824,317	$ 147,846	$ 72,512	$ 53,743	$ 8,704	$ 1,218,532
Charge-offs	-	535,047	335,692	32,876	-	-	903,615
Recoveries	-	39,568	162,733	2,261	-	-	204,562
Provision	20,569	109,615	226,318	25,858	(4,064)	1,704	380,000
Ending balance	$ 131,979	$ 438,453	$ 201,205	$ 67,755	$ 49,679	$ 10,408	$ 899,479
Allowance related to:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	131,979	438,453	201,205	67,755	49,679	10,408	899,479
Total	$ 131,979	$ 438,453	$ 201,205	$ 67,755	$ 49,679	$ 10,408	$ 899,479
Loans:							
Individually evaluated for impairment	$ -	$ 338,832	$ -	$ -	$ -	$ -	$ 338,832
Collectively evaluated for impairment	11,679,546	38,801,190	17,031,695	19,927,851	4,396,377	-	91,836,659
Total	$ 11,679,546	$ 39,140,022	$ 17,031,695	$ 19,927,851	$ 4,396,377	$ -	$ 92,175,491

Note 6. Bank Premises, Furniture and Equipment

The major categories of bank premises, furniture and equipment and accumulated depreciation at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Land	$ 688,423	$ 688,423
Building and improvements	3,942,345	3,929,085
Furniture and equipment	2,080,509	2,091,668
	6,711,277	6,709,176
Less accumulated depreciation	3,461,904	3,539,886
Bank premises and equipment, net	$ 3,249,373	$ 3,169,290

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 included in occupancy expense on the consolidated statements of income is $193,630, $178,743, and $180,218, respectively.

Note 7. Bank Owned Life Insurance

The Bank invests in bank owned life insurance contracts. These contracts include split-dollar life insurance on key bank employees. Upon death of the employee, the life insurance proceeds are split between the Bank and the employee named beneficiary. If the individual is no longer employed at the date of death, the entire proceeds are paid to the Bank. The carrying amounts of the contracts of $3,305,914 and $3,223,893 are included in other assets as of December 31, 2019 and 2018, respectively. Income on the contracts for 2019, 2018 and 2017 of $82,021, $81,640 and $83,100 is included in other services charges, commissions and fees on the Statements of Income.

Note 8. Deposits

The following is a summary of interest bearing deposits by type at December 31, 2019 and 2018, respectively.

	2019	2018
NOW accounts	$ 3,068,312	$ 3,641,658
Money market accounts	56,962,304	58,919,431
Savings accounts	25,589,295	24,989,654
Certificates of deposit	11,557,486	12,483,391
Individual retirement accounts	2,914,808	3,154,191
Total	$ 100,092,205	$ 103,188,325

Time deposits, which included certificates of deposit and individual retirement accounts, in denominations of $250,000 or more totaled $1,697,539 and $1,781,661 as of December 31, 2019 and 2018, respectively. Interest expense on such time deposits approximated $13,000, $13,000, and $12,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

The following is a summary of the maturity distribution of certificates of deposit in amounts of $250,000 or more as of December 31, 2019:

	2019	
	Amount	Percent
Three months or less	$ -	0.0%
Three through six months	849,507	50.1%
Six through twelve months	-	0.0%
Over twelve months	848,032	49.9%
Total	$ 1,697,539	100.0%

At December 31, 2019, the scheduled maturities of time deposits are as follows:

2020	$ 6,877,585
2021	3,865,351
2022	2,018,469
2023	1,117,958
2024 and thereafter	592,931
Total time deposits	$ 14,472,294

The subsidiary bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, significant stockholders, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these deposits and transactions were on the same terms as those for comparable deposits and transactions with nonrelated parties. At December 31, 2019 and 2018, deposits of related parties, including directors, executive officers and their related interests, approximated $1,320,114 and $7,525,364, respectively.

Note 9. Short-Term Borrowings

The Bank has certain borrowing arrangements with other financial institutions which allows for secured borrowings at the financial institution's current rates and terms. Under these arrangements, the Bank may borrow approximately $36,854,350 to meet liquidity and other needs. There were no short-term borrowings under these agreements as of December 31, 2019 and 2018, respectively.

The Bank has instituted agreements with customers whereby the Bank will invest the excess cash of the customer in daily federal funds and pay the customer 70% of the rate the Bank receives on fed funds at a specific correspondent bank. The daily amount of investment is collateralized by repurchase agreements with the customer on a daily basis and with a pledge of approved investment securities of an amount approximately equal to the daily repurchase agreement balance. At December 31, 2019 and 2018, the outstanding balances under these agreements were $7,059,343 and $7,021,334, respectively.

Additional details regarding short-term borrowings during the years ended December 31, 2019 and 2018 are presented below.

	2019 Repurchase Agreements	2018 Repurchase Agreements
Outstanding at year end	$ 7,059,343	$ 7,021,334
Average amount outstanding	$ 5,974,723	$ 6,299,601
Maximum amount outstanding at any month end	$ 8,027,576	$ 8,143,565
Weighted average interest rate	1.51%	1.20%

Included in borrowings is a repurchase agreement amount owed to a related party approximating $2,224,004 and $2,164,945 at December 31, 2019 and 2018, respectively.

	2019 Federal Funds Purchased	2018 Federal Funds Purchased
Outstanding at year end	$ -	$ -
Average amount outstanding	$ 336,515	$ 374,838
Maximum amount outstanding at any month end	$ 810,000	$ 2,130,000
Weighted average interest rate	2.64%	2.31%

Note 10. Long-Term Borrowings

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank obtained borrowings from the FHLB under various lending programs to finance growth and/or meet liquidity needs as necessary. All such borrowings are secured by a lien on all unpledged and unencumbered assets of the Bank.

A summary of the Company's long-term borrowings at December 31, 2019 and 2018 follows:

	2019	2018
Note payable, dated May 17, 2017, to FHLB at 2.50%. Principal and interest payments of $3,620 due monthly. The borrowing has a maturity of July 25, 2029.	$ 369,884	$ 403,623

Aggregate maturities required on long-term borrowings which are due in future years is as follows:

Years Ending December 31,	
2020	$ 34,592
2021	35,467
2022	36,364
2023	37,283
2024	38,226
Thereafter	187,952
	$ 369,884

Additional details regarding long-term borrowings during the years ended December 31, 2019 and 2018 are presented below.

	2019 FHLB Advances	2018 FHLB Advances
Outstanding at year end	$ 369,884	$ 403,623
Average amount outstanding	$ 1,359,948	$ 1,052,925
Maximum amount outstanding at any month end	$ 5,400,843	$ 6,217,027
Weighted average interest rate	2:58%	2.39%

Note 11. Income Taxes

The components of applicable income tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Current:			
Federal	$ 341,000	$ 45,269	$ 152,000
State	118,840	1,550	41,200
	459,840	46,819	193,200
Deferred:			
Federal	(21,775)	86,337	158,473
State	(20,665)	(15,360)	24,232
	(42,440)	70,977	182,705
Total	$ 417,400	$ 117,796	$ 375,905

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying the statutory income tax rate by book pretax income for the years ended December 31, 2019, 2018 and 2017, is as follows:

	2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed tax at applicable statutory rate	$ 537,528	21.0%	$ 246,438	21.0%	$ 398,995	34.0%
Increase (decrease) in taxes resulting from:						
State income taxes, net	62,284	2.5%	44,220	3.8%	27,193	2.3%
Tax-exempt interest	(209,830)	-8.2%	(173,790)	-14.8%	(201,285)	-17.2%
Impact on tax rate change on deferred taxes	-	0.0%	-	0.0%	105,005	9.0%
Other, net	27,418	1.0%	928	0.1%	45,997	3.9%
Applicable income taxes	$ 417,400	16.3%	$ 117,796	10.1%	$ 375,905	32.0%

Deferred income taxes reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

The Tax Cuts and Jobs Act of 2017 (the Act) was enacted on December 22, 2017. Consequent to the passage of the Act, the Bank's deferred tax assets and liabilities were adjusted for the effects of the Act's changes in the tax law and rates. For the year ended December 31, 2017, the Bank recorded a $105,005 change to income tax expense to reflect the impact of the Act's rate change on the Bank's net deferred tax assets. In addition, the Bank reclassified an amount of $126,972 in the Bank's consolidated Statement of Shareholders' Equity from retained earnings to adjust the Other Comprehensive Income associated with unrealized gain on available for sale securities and pension liabilities for the effect in rate changes.

The tax effects of temporary differences, which give rise to the Bank's deferred tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

	2019	2018
Deferred tax assets:		
Provision for loan loss	$ 251,941	$ 186,827
Net unrealized loss on securities available for sale	-	441,596
Gross deferred tax assets	251,941	628,423
Deferred tax liabilities:		
Depreciation	85,605	62,605
Net unrealized gain on securities available for sale	363,038	-
Other items	1,016	1,342
Gross deferred tax liabilities	449,659	63,947
Net deferred tax asset (liability)	$ (197,718)	$ 564,476

As of December 31, 2019 and 2018, the Company had no unrecognized tax benefits. Such benefits would impact the effective tax rate if recognized. The Company is subject to U.S. Federal income tax examinations for returns filed after December 31, 2016. State income tax returns are generally subject to a period of examinations for a period of three to five years.

Note 12. Mortgage Partnership Finance Program

During 2012, the Bank began participation in the Mortgage Partnership Finance Program with the Federal Home Loan Bank of Pittsburgh. Under this program, the Bank originates qualified residential mortgage loans as defined in the agreement, closes the loans in its own name and sells the loans to the Federal Home Loan Bank. The Bank retains no servicing rights on the loans but guarantees the loans to a maximum of 5% after the "first loss", as defined by the agreement, is recognized by the Federal Home Loan Bank.

During 2019 and 2018, the Bank sold residential mortgage loans with principal balances of $308,500 and $469,800, respectively. For the years ended December 31, 2019, 2018 and 2017, the Bank recognized gains of approximately $4,000, $2,000 and $18,000, respectively. A recourse liability was recorded in 2019 and 2018 using the historical loss ratio applied to the outstanding balance of loans of approximately $4,800,000, and $4,812,000 at December 31, 2019 and 2018 respectively. Total recorded recourse liability included in interest, taxes and other liabilities as of December 31, 2019 and 2018 is approximately $17,000 and $17,000, respectively. Net gain on sale of these loans during 2019 and 2018 is included in secondary market fees on the consolidated income statement.

Note 13. Retirement Plan

The Bank has a contributory 401-K retirement plan, whereby eligible participants may make contributions, up to fifteen percent of compensation and catch-up limits if applicable, and the Bank will match up to two percent of this limit during the plan year. The Bank may make additional discretionary contributions to eligible participants unrelated to participant contributions. During 2019, 2018 and 2017, the Bank made matching contributions to eligible participants of $20,350, $19,182 and $18,190, respectively.

Note 14. Restrictions on Dividends and Capital

The primary source of funds for the dividends paid by Tri-County Bancorp, Inc. is dividends received from its subsidiary bank. Dividends paid by the subsidiary bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agency if the total of all dividends declared by the Bank in any calendar year exceeds the Bank's net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years. During 2020, the net retained profits of the subsidiary bank available for distribution to Tri-County Bancorp, Inc. as dividends without regulatory approval approximates $2,827,000 plus net retained profits, as defined, for the interim periods through the date of dividend declaration.

The Company and its affiliate Bank are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total, common equity Tier 1 and Tier I capital to risk-weighted assets, and of Tier I capital to average assets, as defined. Management believes, as of December 31, 2019, the Company and its affiliate bank meets all capital adequacy requirements to which it is subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized the Company and its affiliate bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, common equity Tier 1, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company and its subsidiary bank's actual capital amounts and ratios for the years ended December 31, 2019 and 2018, respectively, are presented in the following tables.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019:						
Common Equity Tier I (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 17,627,000	15.1%	$ 5,261,000	4.5%	$ 7,600,000	6.5%
West Union Bank	$ 17,508,000	15.0%	$ 5,257,000	4.5%	$ 7,593,000	6.5%
Total Capital (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 18,815,000	16.1%	$ 9,354,000	8.0%	$ 1,692,000	10.0%
West Union Bank	$ 18,696,000	16.0%	$ 9,346,000	8.0%	$ 11,682,000	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 17,627,000	15.1%	$ 7,015,000	6.0%	$ 9,354,000	8.0%
West Union Bank	$ 17,508,000	15.0%	$ 7,009,000	6.0%	$ 9,346,000	8.0%
Tier I Capital (to Average Assets)						
Tri-County Bancorp, Inc.	$ 17,627,000	8.7%	$ 8,089,000	4.0%	$ 10,112,000	5.0%
West Union Bank	$ 17,508,000	8.7%	$ 8,085,000	4.0%	$ 10,107,000	5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2018:						
Common Equity Tier I (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 16,016,211	14.8%	$ 4,853,000	4.5%	$ 7,010,000	6.5%
West Union Bank	$ 15,916,000	14.8%	$ 4,849,000	4.5%	$ 7,004,000	6.5%
Total Capital (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 16,932,211	15.7%	$ 8,628,000	8.0%	$ 10,785,000	10.0%
West Union Bank	$ 16,832,000	15.6%	$ 8,621,000	8.0%	$ 10,776,000	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Tri-County Bancorp, Inc.	$ 16,016,211	14.8%	$ 6,471,000	6.0%	$ 8,628,000	8.0%
West Union Bank	$ 15,916,000	14.8%	$ 6,466,000	6.0%	$ 8,621,000	8.0%
Tier I Capital (to Average Assets)						
Tri-County Bancorp, Inc.	$ 16,016,211	8.3%	$ 7,757,000	4.0%	$ 9,696,000	5.0%
West Union Bank	$ 15,916,000	8.2%	$ 7,753,000	4.0%	$ 9,692,000	5.0%

Note 15. Commitments and Contingencies

Litigation: The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, these matters will not have a material adverse effect on the consolidated financial statements.

Financial instruments with off-balance sheet risk:

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of financial condition.

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Bank upon extension of credit, varies and is based on management's credit evaluation of the customer.

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

Total contractual amounts of the commitments as of December 31, 2019 and 2018, were as follows:

	2019	2018
Undisbursed loan commitments and available on lines of credit	$ 11,460,393	$ 8,466,530
Standby letters of credit	620,000	623,800
	$ 12,080,393	$ 9,090,330

Note 16. Fair Value of Financial Instruments

The Bank also discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate that value. The following summarizes the methods and significant assumptions used in estimating fair value for disclosures in the financial statements:

Cash and Due from Banks: The carrying values of cash and due from banks approximate their estimated fair values.

Interest Bearing Deposits in Banks: Estimated fair values of certificates of deposits in other banks are estimated using a discounted cash flow methodology at rates currently earned for the various certificates of deposit compared to the offered rates at year end for deposits with similar maturities. The carrying values of other interest bearing deposits in banks approximate their estimated fair values.

Federal Funds Sold: The carrying values of Federal funds sold approximate their estimated fair values.

Investment Securities: Estimated fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities.

Loans: The estimated fair values for loans are computed based on the scheduled principal maturity, discounted at interest rates currently offered for loans with similar terms to borrowers of similar credit quality. No prepayments of principal are assumed.

Accrued Interest Receivable and Payable: The carrying values of accrued interest receivable and payable approximate their estimated fair values.

Deposits: The estimated fair values of demand deposits (i.e. non-interest bearing and interest bearing checking), money market, savings and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

Securities Sold under Agreements to Repurchase: The carrying values of securities sold under agreements to repurchase approximate their estimated fair values.

Federal Funds Purchased: The carrying value of Federal funds purchased approximate their estimated fair values.

Off-Balance Sheet Instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the counterparties. The amounts of fees currently charged on commitments and standby letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values are not shown below.

The carrying values and estimated fair values of the Bank's financial instruments as of December 31, 2019 and 2018 are summarized below:

	December 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Cash and due from banks	$ 3,844,766	$ 3,844,766	$ 4,339,570	$ 4,339,570
Federal funds sold	126,000	126,000	132,000	132,000
Interest bearing deposits with other banks	5,094,029	5,102,021	1,768,576	1,768,576
Securities available for sale	93,737,472	93,737,472	85,385,171	85,385,171
Loans, net	91,247,427	91,232,700	91,276,012	90,036,276
Accrued interest receivable	803,011	803,011	798,515	798,151
	$ 194,852,705	$ 194,845,970	$ 183,699,844	$ 182,459,744
Financial liabilites:				
Deposits	$ 174,348,537	$ 174,350,010	$ 167,705,564	$ 167,706,564
Securities sold under agreements to repurchase	7,059,343	7,059,343	7,021,334	7,021,334
Long-term debt	369,884	375,000	403,623	385,000
Accrued interest payable	5,207	5,207	4,862	4,862
	$ 181,782,971	$ 181,789,560	$ 175,135,383	$ 175,117,760

Note 17. Fair Value Measurement

ASC Topic 820, *Fair Value Measurements and Disclosures,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accordingly, securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, such as impaired loans. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Available-for-Sale Securities: Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, mortgage backed securities and municipal bonds.

Impaired Loans: Impaired loans are measured for impairment using the fair value of the collateral for collateral-dependent loans. As such, the Company classifies loans subject to nonrecurring fair value adjustments as Level 2 based on a current appraisal. If there is not a current appraisal these loans are classified as Level 3. The value of real estate collateral is determined utilizing an appraisal conducted by an independent, licensed appraiser outside of the Company using comparable property sales (Level 2). The appraisals are typically adjusted for cash to sell and liquidation factors for foreclosed properties resulting in Level 3 classification.

Other Real Estate Owned ("OREO"): OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the balance sheet at the lower of the investment in the real estate or its fair value less estimated selling costs. The fair value of OREO is determined on a nonrecurring basis generally utilizing current appraisals performed by an independent, licensed appraiser applying an income or market value approach using observable market data (Level 2). OREO valued by an original appraisal discounted for known deterioration is Level 3. Upon foreclosure, any fair value adjustment is charged against the allowance for loan losses. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest income in the consolidated statements of income.

Assets at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis.

Available for Sale Securities	Total at December 31, 2019	Fair Value Measurements Using: Level 1	Level 2	Level 3
U.S. Agency Securities	$ 17,131,654	$ -	$ 17,131,654	$ -
Mortgage-backed securities -				
U.S. Government agencies	$ 23,451,448	$ -	$ 23,451,448	-
Collaterized Mortgage Obligations	$ 8,732,705	$ -	$ 8,732,705	-
State and political subdivisions	44,310,184	-	44,310,184	-
Equity securities	111,481	111,481	-	-
Total available for sale securities	$ 93,737,472	$ 111,481	$ 93,625,991	$ -

Available for Sale Securities	Total at December 31, 2018	Fair Value Measurements Using: Level 1	Level 2	Level 3
U.S. Agency Securities	$ 31,098,009	$ -	$ 31,098,009	$ -
Mortgage-backed securities -				
U.S. Government agencies	21,287,215	-	21,287,215	-
Collaterized Mortgage Obligations	7,413,479	-	7,413,479	-
State and political subdivisions	25,500,106	-	25,500,106	-
Equity securities	86,362	86,362	-	-
Total available for sale securities	$ 85,385,171	$ 86,362	$ 85,298,809	$ -

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. The Company did not have any assets measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018.

Note 18. Condensed Financial Statements of Parent Company

The investment of the Company in its wholly-owned subsidiary, West Union Bank, is presented on the equity method of accounting. The Company's balance sheets at December 31, 2019 and 2018, and the related statements of income and cash flows for the years ended December 31, 2019, 2018 and 2017, are presented as follows:

Balance Sheets	2019	2018
Assets		
Due from banks	$ 32,436	$ 20,375
Investment in subsidiary, eliminated in consolidation	18,472,165	14,719,850
Other investments	111,479	86,361
Dividends receivable	554,010	511,725
Total assets	$ 19,170,090	$ 15,338,311
Liabilities		
Dividends payable	554,010	511,725
Other liabilities	6,615	870
Total liabilities	560,625	512,595
Shareholders' equity		
Common stock, $10 par value, authorized and issued 25,000 shares, outstanding 2019, 20,519; 2018, 20,469	250,000	250,000
Capital surplus	307,500	303,750
Retained earnings	18,405,660	16,817,412
Less cost of shares acquired for the treasury 2019, 4,481; 2018, 4,531	(1,361,000)	(1,377,250)
Accumulated other comprehensive income	1,007,305	(1,168,196)
Total shareholders' equity	18,609,465	14,825,716
Total liabilities and shareholders' equity	$ 19,170,090	$ 15,338,311

Statements of Income	2019	2018	2017
Income			
Income - dividends from bank subsidiary	$ 554,010	$ 511,725	$ 357,368
Other income	3,832	3,687	3,455
Total income	557,842	515,412	360,823
Expense	7,939	410	390
Income before income taxes and equity in undistributed income	549,903	515,002	360,433
Applicable income tax expense (benefit)	-	-	-
Income before undistributed income	549,903	515,002	360,433
Equity in undistributed income of subsidiary	1,592,355	1,282,723	437,178
Net income	$ 2,142,258	$ 1,797,725	$ 797,611

Statements of Cash Flows	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITES			
Net income	$ 2,142,258	$ 1,797,725	$ 797,611
Adjustments to reconcile net income to net cash provided by operating activities: Equity in undistributed net income of subsidiary	(1,592,355)	(1,282,723)	(437,178)
Other items	(46,117)	(158,043)	(39,461)
Net cash provided by operating activities	503,786	356,959	320,972
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (Purchase) Sale of treasury stock	20,000	19,200	-
Dividends paid to shareholders	(511,725)	(357,368)	(321,361)
Net cash (used in) financing activities	(491,725)	(338,168)	(321,361)
Increase (decrease) in cash	12,061	18,791	(389)
Cash:			
Beginning	20,375	1,584	1,973
Ending	32,436	20,375	1,584

Tri-County Bancorp, Inc. accounts for its investment in its bank subsidiary under the equity method. During the years ended December 31, 2019, 2018 and 2017, changes were as follows.

	Number of Shares Owned	Percent of Shares Owned
West Union Bank	25,000	100%
Balance at December 31, 2016		13,427,754
Add (deduct):		
Net income of subsidiary		794,544
Dividends declared by the bank subsidiary		(357,368)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		55,509
Balance at December 31, 2017		13,920,439
Add (deduct):		
Net income of subsidiary		1,794,448
Dividends declared by the bank subsidiary		(511,725)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		(483,312)
Balance at December 31, 2018		14,719,850
Add (deduct):		
Net income of subsidiary		2,146,365
Dividends declared by the bank subsidiary		(554,010)
Change in equity in net unrealized gain (loss) on securities of bank subsidiary		2,159,960
Balance at December 31, 2019		$ 18,472,165

Tri-County Bancorp, Inc

Directors

Edward R. Cokeley, Chairman, President and CEO

Thomas A. McCullough, Vice-Chairman and Senior Vice-President

James V. Cann

John J. Droppleman

William A. Farr

G. Andrew Lang

Stephen H. Maxwell

Darwin L. Stump

West Union Bank

Directors

Edward R. Cokeley, Chairman, President and CEO

Thomas A. McCullough, Vice-Chairman and Senior Vice-President

James V. Cann

John J. Droppleman

William A. Farr

G. Andrew Lang

Charles K. Marsh

Stephen H. Maxwell

Darwin L. Stump

Tri-County Bancorp, Inc.
Officers

Edward R. Cokeley
Thomas A. McCullough
Katherine Underwood

West Union Bank
Management

Thomas F. Whaling
Robin E. Travis
Rudy F. Torjak, Jr.
Joshua A. Weekley

West Union Bank
Officers

Kelly Audia
Chantel Davis
Rosemary Doss
Rebecca Goldsmith
R. Michael Hall
Mari Keller
David Marra
Vivian Robinson
Ellen Sheets
Lisa Smith
Edna Swiger
Joellen Trent
Katherine Underwood
Jeff Winters

Employees

Andria Baker
Beth Davis
Kimberly Davis
Misty Davis
Ginger Golden
Darry Harris
Kasey Hilvers
Cindy Hnotkow
L. Gail Holleron
Deana Hudkins
Tanya Jacenkiw
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Kathryn Woodford