

The Baraboo Bancorporation, Inc. and Subsidiary

Baraboo, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Financial Statements
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Officer and Directors Listing

Independent Auditor's Report

The Board of Directors
The Baraboo Bancorporation, Inc. and Subsidiary
Baraboo, WI

Opinion

We have audited the consolidated financial statements (the "financial statements") of The Baraboo Bancorporation, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Letter to Shareholders and Officer and Directors Listing but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP

March 15, 2022
Milwaukee, Wisconsin

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Balance Sheets Years Ended December 31, 2021 and 2020

	2021	2020
Assets		
Cash and due from banks	\$ 193,224,339	\$ 119,292,617
Federal funds sold	5,502,000	1,553,000
Cash and cash equivalents	198,726,339	120,845,617
Available-for-sale debt securities	70,345,768	38,993,996
Loans held for sale	2,201,022	3,547,371
Loans, less allowance for loan losses of \$7,180,707 and \$7,207,387 at December 31, 2021 and 2020, respectively	238,551,778	304,073,064
Premises and equipment, net	4,326,911	4,562,920
Cash surrender value of life insurance	10,246,204	10,084,443
Foreclosed assets, net	-	84,850
Other assets	7,677,985	7,962,115
Total assets	\$ 532,076,007	\$ 490,154,376
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Demand	\$ 166,828,449	\$ 141,778,806
Savings and NOW	210,735,796	178,385,151
Time	94,394,571	100,584,850
Total deposits	471,958,816	420,748,807
Borrowed funds	5,000,000	15,144,979
Other liabilities	4,279,297	5,135,333
Total liabilities	481,238,113	441,029,119
Stockholders' equity:		
Common stock, no par value; 15,000,000 shares authorized and 10,412,998 shares issued at December 31, 2021 and 2020	12,025,993	12,025,993
Additional paid-in capital	3,683,464	3,683,464
Retained earnings	47,362,641	44,441,719
Treasury stock, at cost; 1,096,157 shares at December 31, 2021 and 2020	(12,182,156)	(12,182,156)
Accumulated other comprehensive income (loss)	(52,048)	1,156,237
Total stockholders' equity	50,837,894	49,125,257
Total liabilities and stockholders' equity	\$ 532,076,007	\$ 490,154,376

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Statements of Operations Years Ended December 31, 2021 and 2020

	2021	2020
Interest income:		
Loans, including fees	\$ 12,698,643	\$ 14,243,511
Investment securities:		
Taxable	924,180	1,366,473
Tax-exempt	-	114
Federal funds sold	76	1,632
Other	305,883	242,104
Total interest income	13,928,782	15,853,834
Interest expense:		
Deposits	1,358,924	2,121,010
Borrowings	112,429	149,634
Total interest expense	1,471,353	2,270,644
Net interest and dividend income before provision for loan and lease losses	12,457,429	13,583,190
Provision for loan and lease losses	(200,000)	900,000
Net interest and dividend income after provision for loan and lease losses	12,657,429	12,683,190
Noninterest income:		
Trust department	55,693	127,653
Service fees	1,800,621	1,660,950
Net gain on sale of loans	699,482	1,506,057
Other	1,738,925	1,359,300
Total noninterest income	4,294,721	4,653,960
Noninterest expense:		
Salaries	6,042,985	6,044,536
Employee benefits	2,135,901	3,430,126
Occupancy	1,206,105	1,122,019
Furniture and equipment	318,098	320,040
Foreclosed assets, net	(7,344)	(18,614)
Other expenses	2,273,558	1,972,828
Total noninterest expense	11,969,303	12,870,935
Income before income taxes	4,982,847	4,466,215
Provision for income tax	1,316,578	1,286,677
Net income	\$ 3,666,269	\$ 3,179,538
Earnings per share	\$ 0.39	\$ 0.34
Weighted-average shares outstanding	9,316,843	9,316,843

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income Years Ended December 31, 2021 and 2020

	2021	2020
Net income	\$ 3,666,269	\$ 3,179,538
Other comprehensive income (loss):		
Unrealized gain (loss) on debt securities available-for-sale	(1,529,474)	908,873
Income tax effect	321,189	(190,863)
Total other comprehensive income (loss)	(1,208,285)	718,010
Comprehensive income	\$ 2,457,984	\$ 3,897,548

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2019	\$ 12,025,993	\$ 3,683,464	\$ 41,914,360	\$ (12,182,156)	\$ 438,227	45,879,888
Net income			3,179,538			3,179,538
Other comprehensive income						
Dividends declared			(652,179)		718,010	718,010
Balance, December 31, 2020	12,025,993	3,683,464	44,441,719	(12,182,156)	1,156,237	49,125,257
Net income			3,666,269			3,666,269
Other comprehensive loss					(1,208,285)	(1,208,285)
Dividends declared			(745,347)			(745,347)
Balance, December 31, 2021	\$ 12,025,993	\$ 3,683,464	\$ 47,362,641	\$ (12,182,156)	\$ (52,048)	\$ 50,837,894

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Net income	\$ 3,666,269	\$ 3,179,538
Adjustments to reconcile net income to net cash provided from operating activities:		
Provision for loan losses	(200,000)	900,000
Depreciation	415,381	420,339
Capitalization of mortgage servicing rights	(333,798)	(644,413)
Amortization of mortgage servicing rights	424,366	282,429
Impairment (recovery) of mortgage servicing rights	(358,551)	455,149
Amortization (accretion) of bond premiums and discounts, net	78,501	(59,264)
Net gain on sale of loans	(699,482)	(1,506,057)
Net loss on disposal of premises and equipment	8,651	-
Net gain on investments in equity securities	(150,000)	(287,500)
Increase in cash surrender value of life insurance	(208,951)	(171,440)
Net gain on life insurance death benefit received	(26,253)	
Net gain on sale of foreclosed assets	(7,371)	(20,805)
Write-down of foreclosed assets	-	4,292
Deferred tax expense	445,957	355,027
Net changes in operating assets and liabilities:		
Loans held for sale	2,045,831	(392,214)
Other assets	577,345	(283,151)
Other liabilities	(856,036)	1,652,380
Net cash from operating activities	4,821,859	3,884,310
Cash Flows From Investing Activities:		
Activity in available-for-sale debt securities:		
Maturities, prepayments, and calls	20,469,588	24,257,357
Purchases	(53,429,335)	(1,263,002)
Net increase in FHLB stock	-	(322,500)
Net (increase) decrease in loans	65,721,286	(35,239,322)
Proceeds from sale of foreclosed assets	92,221	141,365
Purchases of premises and equipment	(188,023)	(281,105)
Proceeds from life insurance death benefit	73,443	-
Net cash from investing activities	32,739,180	(12,707,207)

The Baraboo Bancorporation, Inc. and Subsidiary

Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Financing Activities:		
Net increase in deposits	\$ 51,210,009	\$ 82,578,655
Dividends paid	(745,347)	(652,179)
Payment for long-term borrowed funds	(10,144,979)	-
Proceeds from long-term borrowed funds	-	15,144,979
Net cash from financing activities	40,319,683	97,071,455
Net change in cash and cash equivalents	77,880,722	88,248,558
Cash and cash equivalents:		
Beginning	120,845,617	32,597,059
Ending	<u>\$ 198,726,339</u>	<u>\$ 120,845,617</u>
Supplemental Cash Flow Disclosures:		
Cash paid for interest	\$ 1,593,656	\$ 2,309,723
Cash paid for income taxes	1,015,000	765,000
Noncash Investing and Financing Activities:		
Transfer of loans to foreclosed assets	-	84,560

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements of The Baraboo Bancorporation, Inc. (the "Company") include the accounts of its wholly owned subsidiary, The Baraboo State Bank (the "Bank"). The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and conform to general practices within the banking industry. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Nature of Operations: The consolidated income of the Company is principally from the income of its wholly owned subsidiary, which provides a variety of financial services to individuals and small businesses throughout central Wisconsin. The subsidiary Bank is subject to competition from other financial institutions and nonfinancial institutions providing financial products. In addition, the Company and the subsidiary Bank are subject to the regulations of certain regulatory agencies and undergo periodic examination by those regulatory agencies.

Use of Estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term relate to the determination of the allowance for loan losses, loan servicing assets, foreclosed assets, deferred tax assets, and fair values of financial instruments.

Cash and Cash Equivalents: For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which have original maturities of 90 days or less.

Debt Securities: Debt securities are classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income (loss), net of tax.

Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the debt securities. Declines in fair value below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers many factors, including (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific-identification method.

Loans: The Company grants commercial, agricultural, mortgage, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans in central Wisconsin. The ability of the Company's debtors to honor their contracts is dependent on the general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are generally reported at their outstanding unpaid principal balances, adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan fees collected in conjunction with the Paycheck Protection Program ("PPP") are deferred and recognized over the contractual life of the loan or accelerated at forgiveness. Management has concluded the amount of deferred fees and costs in originating all other loans are immaterial to the consolidated financial statements.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Loans (Continued): The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent, unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified, resulting in a concession, and for which the borrower is experiencing financial difficulties are considered troubled debt restructurings (TDR) and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

A loan is impaired when full payment under the loan terms is not expected. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

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

The general component covers nonimpaired loans and is based on historical loss experience adjusted for current qualitative factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These qualitative economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued): The following portfolio segments have been identified: commercial and industrial, construction and land development, commercial real estate, residential real estate, and consumer.

Management considers the following when assessing the risk in the loan portfolio:

- Commercial and industrial loans are primarily for working capital, physical asset expansion, asset acquisition loans, and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted, and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan.
- Construction and land development loans are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, or residential buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.
- Commercial real estate loans are dependent on the industries tied to these loans. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, and various special-purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and/or property type.
- Residential real estate loans are affected by the local residential real estate market, the local economy, and for variable-rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flow sufficiency to service debt at the time of origination.
- Consumer and other loans may take the form of installment loans, demand loans, or single-payment loans and are extended to individual for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Loans Held for Sale: Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregating outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Company. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Servicing: Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income from the underlying financial assets.

Servicing assets are evaluated for impairment based on the fair value of the rights as compared to the amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics such as interest rate, loan type, and investor type. Impairment, if any, is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan, and are recorded as income when earned.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Provisions for depreciation are computed principally on a straight-line basis over the estimated useful lives of the assets.

Nonmarketable Equity Securities: Nonmarketable equity securities include securities without a readily determinable fair value, including Federal Home Loan Bank (FHLB) stock, Federal Reserve Bank (FRB) stock and SB Bancorp Inc. stock. The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock and FRB stock as a member of the FHLB and FRB, respectively, and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. FHLB stock and FRB stock are evaluated for impairment on an annual basis.

Cash Surrender Value of Life Insurance: The Company has purchased life insurance policies on certain key executives and board members. Cash surrender value of life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Foreclosed Assets: Foreclosed assets acquired through partial or total satisfaction of loans are initially recorded at fair value less cost to sell. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amounts or fair value less cost to sell. Revenue and expenses from operations related to foreclosed assets owned and changes in the valuation allowance are included in foreclosed asset expenses.

Revenue from Contracts with Customers: The core revenue recognition principle requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following; (1) identify the contract with a customer; (2) identify the performance obligation(s) within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) within the contract; and (5) recognize revenue when the performance obligation(s) is satisfied.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (Continued): The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of operations as components of noninterest income:

Service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as ATM use fees, wires, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

Trust and wealth fees – The Company earns trust and wealth fees from its contracts with trust customers for providing investment management and/or transaction-based services on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are assessed based on total investable assets of the customer's account. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. There are no contingent incentive fees recorded by the Company that could be subject to a claw-back in future periods.

Net gain (loss) on sales of foreclosed assets – The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Off-Balance-Sheet Financial Instruments: In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Profit Sharing Plan: The Company has established a contributory 401(k) profit sharing plan for qualified employees. The Company's policy is to fund contributions as accrued.

Income Taxes: Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred tax asset or liability is determined based on the tax effects on the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax laws and rates.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes.

Rate Lock Commitments: The Company enters into commitments to originate loans whereby the interest rate on the loans is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received, since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

Earnings Per Share: Earnings per share are computed based on the weighted average number of shares outstanding during the year. The Company has no common stock equivalents as of December 31, 2021 and 2020.

Other Comprehensive Income (Loss): Other comprehensive income (loss) is shown on the consolidated statements of comprehensive income. The Company's accumulated other comprehensive income (loss) is composed of the unrealized gains and losses on debt securities available-for-sale, net of tax, and is shown on the consolidated statements of changes in stockholders' equity. Reclassification adjustments out of comprehensive income for gains and losses recognized in net income are recognized as net gain (loss) on the sale of debt securities on the consolidated statements of operations.

Risk and Uncertainties: The United States and world economies continue to suffer adverse effects from the COVID-19 virus pandemic ("CV19 pandemic"). The Company has responded throughout the CV19 pandemic as guided by governmental authorities and regulatory agencies with necessary operational and procedural modifications. The Company has not experienced a material adverse impact to the [consolidated] financial statements. Future potential impacts to the Company may include disruptions or restrictions on employees and contracted agents ability to work, reduced demand for new loans, and increased repurchase risk or loan defaults. The future impact of the CV19 pandemic on the Company cannot be reasonably estimated at this time.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements:

The following ASUs have been issued by FASB and may impact the Company's consolidated financial statements in future reporting periods.

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments - This standard will significantly change how financial assets measured at amortized cost are presented. Such assets, which include most loans [and securities held to maturity], will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard will also change the accounting for credit losses related to securities available-for-sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This new accounting standard is effective for consolidated financial statements issued for annual periods beginning after December 15, 2022, and interim periods within those annual. The Company is evaluating what impact this new standard will have on its consolidated financial statements.

Subsequent Events: Subsequent events have been evaluated through March 15, 2022, which is the date the financial statements were available to be issued.

Note 2. Cash and Due From Banks

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of \$250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Available-for-Sale Debt Securities

The amortized costs and fair values of available-for-sale debt securities, with gross unrealized gains and losses, as of December 31, 2021 and 2020, are summarized as follows:

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government-sponsored agency securities	\$ 6,210,637	\$ -	\$ 7,747	\$ 6,202,890
Small Business Association backed securities	16,766,263	2,624	205,552	16,563,335
U.S. government-sponsored CMO securities	28,296,069	178,347	319,818	28,154,598
U.S. government-sponsored mortgage-backed securities	15,214,228	258,244	90,223	15,382,249
Certificates of deposit	3,924,454	120,414	2,172	4,042,696
	<u>\$ 70,411,651</u>	<u>\$ 559,629</u>	<u>\$ 625,512</u>	<u>\$ 70,345,768</u>
	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
States and political subdivisions	\$ 405,000	\$ -	\$ 757	\$ 404,243
U.S. government-sponsored CMO securities	21,832,495	684,779	-	22,517,274
U.S. government-sponsored mortgage-backed securities	9,897,910	514,549	283	10,412,176
Certificates of deposit	5,395,000	265,303	-	5,660,303
	<u>\$ 37,530,405</u>	<u>\$ 1,464,631</u>	<u>\$ 1,040</u>	<u>\$ 38,993,996</u>

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of securities.

Available-for-sale debt securities with a carrying value of \$21,820,063 and \$30,235,796 at December 31, 2021 and 2020, respectively, were pledged as collateral on public deposits and for other purposes as required or permitted by law.

For the years ended December 31, 2021 and 2020 there were no sales of securities.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Available-for-Sale Debt Securities (Continued)

The amortized cost and fair value of debt securities as of December 31, 2021, by contractual maturity, are shown below.

	Available-for-Sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	\$ 1,720,000	\$ 1,739,461
Due after one year through five years	8,415,091	8,506,125
Subtotals	10,135,091	10,245,586
Small Business Association backed securities	16,766,263	16,563,335
U.S. government-sponsored CMO securities	28,296,069	28,154,598
U.S. government-sponsored mortgage-backed securities	15,214,228	15,382,249
Totals	\$ 70,411,651	\$ 70,345,768

Information pertaining to debt securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are summarized as follows:

	2021					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored agency securities	\$ 6,202,890	\$ 7,747	\$ -	\$ -	\$ 6,202,890	\$ 7,747
Small Business Association backed securities	16,014,782	205,552	-	-	16,014,782	205,552
U.S. government-sponsored CMO securities	18,366,838	319,818	-	-	18,366,838	319,818
U.S. government-sponsored mortgage-backed securities	9,493,838	90,223	-	-	9,493,838	90,223
Certificates of deposit	242,282	2,172	-	-	242,282	2,172
	\$ 50,320,630	\$ 625,512	\$ -	\$ -	\$ 50,320,630	\$ 625,512

	2020					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
States and political subdivisions	\$ -	\$ -	\$ 404,243	\$ 757	\$ 404,243	\$ 757
U.S. government-sponsored mortgage-backed securities	-	-	999,717	283	999,717	283
	\$ -	\$ -	\$ 1,403,960	\$ 1,040	\$ 1,403,960	\$ 1,040

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Available-for-Sale Debt Securities (Continued)

At December 31, 2021, the investment portfolio included 44 debt securities, that were in an unrealized loss position, all of which had a current unrealized loss that existed for less than one year. These securities are considered to be an acceptable credit risk. Based on an evaluation of the available evidence, including recent changes in market rates, credit rating information, and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, the Company has the intent and ability to hold these securities for a period of time sufficient to allow for an anticipated recovery.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced, and the resulting loss will be recognized in net income in the period in which the other-than-temporary impairment is identified.

Note 4. Loans

Major classifications of loans are summarized as follows at December 31:

	2021	2020
Commercial and industrial	\$ 33,372,520	\$ 54,984,236
Real estate:		
Construction and land development	6,705,096	25,192,635
Commercial	145,966,483	146,797,571
Residential mortgages	55,936,427	80,135,570
Consumer	3,751,959	4,170,439
	245,732,485	311,280,451
Less allowance for loan and lease losses	(7,180,707)	(7,207,387)
Net Loans	\$ 238,551,778	\$ 304,073,064

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill signed into law on March 27, 2020, in response to the economic fallout of the COVID-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Administration should all criteria be met. Included in commercial and industrial loans are approximately \$1,489,000 and \$15,521,000 of loans granted under the Paycheck Protection Program at December 31, 2021 and 2020, respectively. These loans are fully guaranteed by the Small Business Administration.

Certain directors and executive officers of the Company, and their related interests, had loans outstanding in the aggregate amounts of \$113,332 and \$44,384 at December 31, 2021 and 2020, respectively. During the year ended December 31, 2021, total principal additions were \$105,297, total principal payments were \$36,349. There were no adjustments for changes in directors, executive officers, and/or principal stockholders.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Detailed analysis of the allowance for loan losses for the year ended December 31, 2021, follows:

	Commercial and Industrial	Real Estate	Consumer	Totals
Balance at beginning	\$ 988,304	\$ 6,156,000	\$ 63,083	\$ 7,207,387
Provision for loan losses	(422,304)	233,014	(10,710)	(200,000)
Loans charged off	-	(77,362)	(14,737)	(92,099)
Recoveries of loans previously charged off	20,000	224,348	21,071	265,419
Balance at end	\$ 586,000	\$ 6,536,000	\$ 58,707	\$ 7,180,707
Allowance for loan losses:				
Collectively evaluated for impairment	\$ 586,000	\$ 6,536,000	\$ 58,707	\$ 7,180,707
Totals	\$ 586,000	\$ 6,536,000	\$ 58,707	\$ 7,180,707

Detailed analysis of loans evaluated for impairment as of December 31, 2021, follows:

	Commercial and Industrial	Real Estate	Consumer	Totals
Loans:				
Individually evaluated for impairment	\$ -	\$ 2,812,027	\$ -	\$ 2,812,027
Collectively evaluated for impairment	33,372,520	205,795,979	3,751,959	242,920,458
Totals	\$ 33,372,520	\$ 208,608,006	\$ 3,751,959	\$ 245,732,485

Detailed analysis of the allowance for loan losses for the year ended December 31, 2020, follows:

	Commercial and Industrial	Real Estate	Consumer	Totals
Balance at beginning	\$ 2,062,000	\$ 3,941,000	\$ 90,946	\$ 6,093,946
Provision for loan losses	(1,094,403)	2,031,257	(36,854)	900,000
Loans charged off	-	(48,924)	(17,906)	(66,830)
Recoveries of loans previously charged off	20,707	232,667	26,897	280,271
Balance at end	\$ 988,304	\$ 6,156,000	\$ 63,083	\$ 7,207,387
Allowance for loan losses:				
Individually evaluated for impairment	\$ 285,304	\$ -	\$ -	\$ 285,304
Collectively evaluated for impairment	703,000	6,156,000	63,083	6,922,083
Totals	\$ 988,304	\$ 6,156,000	\$ 63,083	\$ 7,207,387

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Detailed analysis of loans evaluated for impairment as of December 31, 2020, follows:

	Commercial and Industrial	Real Estate	Consumer	Totals
Loans:				
Individually evaluated for impairment	\$ 1,622,208	\$ 1,625,790	\$ 457,923	\$ 3,705,921
Collectively evaluated for impairment	53,362,028	250,499,986	3,712,516	307,574,530
Totals	\$ 54,984,236	\$ 252,125,776	\$ 4,170,439	\$ 311,280,451

Detailed information regarding impaired loans as of December 31, 2021, follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial real estate	\$ 1,168,252	\$ 1,276,037	N/A	\$ 276,000	\$ 48,405
Residential mortgages	1,643,775	1,785,604	N/A	1,672,000	65,215
Totals	2,812,027	3,061,641	N/A	1,948,000	113,620

No additional funds are committed to be advanced in connection with impaired loans.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Detailed information regarding impaired loans as of December 31, 2020, follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial and industrial	\$ 69,350	\$ 177,136	N/A	\$ 115,625	\$ -
Commercial real estate	300,799	538,967	N/A	464,000	38,120
Residential mortgages	1,324,991	1,407,979	N/A	1,931,479	73,568
Consumer	457,923	536,684	N/A	5,000	
Totals	2,153,063	2,660,766	N/A	2,516,104	111,688
Loans with an allowance for loan losses:					
Commercial and industrial	1,552,858	1,552,858	285,304	1,904,375	-
Grand totals	\$ 3,705,921	\$ 4,213,624	\$ 285,304	\$ 4,420,479	\$ 111,688

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for loan losses. The credit quality indicators monitored differ depending on the class of loan.

Commercial loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectability of the contractual loan payments is highly probable.
- "Special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.
- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectability of the contractual loan payments is no longer probable.
- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

Residential real estate and consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan. Residential real estate and consumer loans on nonaccrual status or over 90 days past due are considered nonperforming.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Information regarding the credit quality indicators most closely monitored by class of loan as of December 31, 2021, follows:

	Pass	Special Mention	Substandard	Doubtful	Totals
Commercial credit exposure:					
Commercial and industrial	\$ 31,508,533	\$ -	\$ 1,863,987	\$ -	\$ 33,372,520
Construction and land development	6,705,096	-		-	\$ 6,705,096
Commercial real estate	143,175,045	2,732,588	58,850	-	\$ 145,966,483
Totals	\$ 181,388,674	\$ 2,732,588	\$ 1,922,837	\$ -	\$ 186,044,099
			Performing	Nonperforming	Totals
Residential real estate and consumer credit exposure:					
Residential mortgages			\$ 55,628,141	\$ 308,286	\$ 55,936,427
Consumer			3,751,959	-	3,751,959
Totals			\$ 59,380,100	\$ 308,286	\$ 59,688,386

Information regarding the credit quality indicators most closely monitored by class of loan as of December 31, 2020, follows:

	Pass	Special Mention	Substandard	Doubtful	Totals
Commercial credit exposure:					
Commercial and industrial	\$ 51,076,363	\$ 2,282,666	\$ 1,625,207	\$ -	\$ 54,984,236
Construction and land development	24,200,584	-	992,051	-	25,192,635
Commercial real estate	132,832,665	13,664,107	300,799	-	146,797,571
Totals	\$ 208,109,612	\$ 15,946,773	\$ 2,918,057	\$ -	\$ 226,974,442
			Performing	Nonperforming	Totals
Residential real estate and consumer credit exposure:					
Residential mortgages			\$ 79,786,479	\$ 349,091	\$ 80,135,570
Consumer			4,170,439		4,170,439
Totals			\$ 83,956,918	\$ 349,091	\$ 84,306,009

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Loan aging information as of December 31, 2021, follows:

	Loans Past Due 30- 89 Days	Loans Past Due 90+ Days	Total Past Due Loans
Commercial and industrial	\$ -	\$ -	\$ -
Construction and land development	-	-	-
Commercial real estate	-	-	-
Residential mortgages		308,286	308,286
Consumer	1,263	-	1,263
Totals	\$ 1,263	\$ 308,286	\$ 309,549

	Total Past Due Loans	Total Current Loans	Total Loans	Loans 90+ Days Past Due and Accruing Interest	Total Nonaccrual Loans
Commercial and industrial	\$ -	\$ 33,372,520	\$ 33,372,520	\$ -	\$ -
Construction and land development	-	6,705,096	6,705,096	-	-
Commercial real estate	-	145,966,483	145,966,483	-	58,850
Residential mortgages	308,286	55,628,141	55,936,427	-	308,286
Consumer	1,263	3,750,696	3,751,959	-	-
Totals	\$ 309,549	\$ 245,422,936	\$ 245,732,485	\$ -	\$ 367,136

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

Loan aging information for the year ended December 31, 2020, follows:

	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Past Due Loans
Commercial and industrial	\$ -	\$ -	\$ -
Construction and land development	-	-	-
Commercial real estate	-	-	-
Residential mortgages	157,301	52,373	209,674
Consumer	426	-	426
Totals	\$ 157,727	\$ 52,373	\$ 210,100

	Total Past Due Loans	Total Current Loans	Total Loans	Loans 90+ Days Past Due and Accruing Interest	Total Nonaccrual Loans
Commercial and industrial	\$ -	\$ 54,984,236	\$ 54,984,236	\$ -	\$ 1,625,207
Construction and land development	-	25,192,635	25,192,635	-	-
Commercial real estate	-	146,797,571	146,797,571	-	-
Residential mortgages	209,674	79,925,896	80,135,570	-	349,091
Consumer	426	4,170,013	4,170,439	-	-
Totals	\$ 210,100	\$ 311,070,351	\$ 311,280,451	\$ -	\$ 1,974,298

When, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that the Company would not otherwise consider, the modified loan is classified as a TDR. Loan modifications may consist of forgiveness of interest and/or principal, a reduction of the interest rate, interest-only payments for a period of time, and/or extending amortization terms.

The following presents information regarding modifications of loans that were classified as TDRs during the year ended December 31, 2021. All TDRs are classified as impaired loans. There were no specific reserves for loan losses recognized for these loans at December 31, 2021.

	Number of Contracts	Pre-Modification Investment	Post-Modification Investment
Troubled debt restructurings:			
Residential mortgages	4	\$ 222,699	\$ 222,699

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Loans (Continued)

No TDRs defaulted within 12 months of its modification date during 2021.

The following presents information regarding modifications of loans that were classified as TDRs during the year ended December 31, 2020. All TDRs are classified as impaired loans. There were no specific reserves for loan losses recognized for these loans at December 31, 2020.

	Number of Contracts	Pre-Modification Investment	Post-Modification Investment
Troubled debt restructurings:			
Commercial and industrial	1	\$ 70,635	\$ 70,635

No TDRs defaulted within 12 months of its modification date during 2020.

Note 5. Servicing

The unpaid principal balance of loans serviced for others, which is not included in the consolidated financial statements, was \$170,324,000 and \$165,986,000 at December 31, 2021 and 2020, respectively.

The fair value of the mortgage servicing rights was approximately \$1,200,000 and \$895,000 at December 31, 2021 and 2020, respectively. The fair value of the servicing rights was determined using discount rate of 9.000% and prepayment speeds ranging from 6.99% to 30.67%, depending on the stratification of the specific right. The following summarizes the activity pertaining to mortgage servicing rights for the years ended December 31:

	2021	2020
Balance at beginning of year	\$ 871,807	\$ 964,972
Mortgage servicing rights capitalized	333,798	644,413
Mortgage servicing rights amortized	(424,366)	(282,429)
Impairment on mortgage servicing rights	-	(455,149)
Change in valuation allowance	358,551	-
Balance at end of year	\$ 1,139,790	\$ 871,807

The valuation allowance for mortgage servicing rights was \$96,598 and \$455,149 at December 31, 2021 and 2020, respectively.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation at December 31 and are summarized as follows:

	2021	2020
Land and improvements	\$ 1,173,679	\$ 1,168,939
Building and improvements	6,745,376	6,858,169
Furniture and equipment	7,913,171	8,405,124
Total	15,832,226	16,432,232
Less accumulated depreciation	(11,505,315)	(11,869,312)
Premises and equipment, net	\$ 4,326,911	\$ 4,562,920

Note 7. Foreclosed Assets

There were no foreclosed assets consisting of residential real estate as of December 31, 2021 and 2020. Residential real estate loans that are in the process of foreclosure totaled \$0 at December 31, 2021 and 2020.

An analysis of foreclosed assets for the years ended December 31 is as follows:

	2021	2020
Balance at beginning	\$ 84,850	\$ 125,142
Transfer of loans	-	84,560
Write-down to realizable value	-	(4,292)
Proceeds on sale	(92,221)	(141,365)
Net gain on sale	7,371	20,805
Balance at end	\$ -	\$ 84,850

Expenses related to foreclosed assets included the following for the years ended December 31:

	2021	2020
Write-down to realizable value	\$ -	\$ 4,292
Operating expenses, net of rental income	27	(2,101)
Net gain on sale	(7,371)	(20,805)
Total income, net	\$ (7,344)	\$ (18,614)

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. Other Assets

A summary of other assets at December 31 is as follows:

	2021	2020
Accrued interest receivable	\$ 1,027,360	\$ 1,527,887
Nonmarketable equity securities	2,278,200	2,128,200
Mortgage servicing rights	1,139,790	871,807
Deferred tax asset	2,607,469	2,732,227
Prepaid expenses and other assets	625,166	701,994
Total other assets	\$ 7,677,985	\$ 7,962,115

Note 9. Deposits

The aggregate amount of time deposits, each with a minimum denomination of \$250,000, was \$11,364,411 and \$9,432,738 at December 31, 2021 and 2020, respectively.

At December 31, 2021, the scheduled maturities of time deposits are as follows:

Years Ending December 31,	
2022	\$ 56,666,192
2023	27,352,943
2024	10,328,669
2025	46,767
	<u>\$ 94,394,571</u>

Note 10. Other Borrowings

Borrowed funds consist of the following at December 31, 2021:

	2021	
	Rate	Amount
Federal Home Loan Bank (FHLB):		
Fixed rate-fixed term advances	1.01%	\$ 5,000,000

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 10. Other Borrowings (Continued)

Borrowed funds consist of the following at December 31, 2020:

	2020	
	Rates	Amount
Federal Home Loan Bank (FHLB):		
Fixed rate-fixed term advances	0.68% - 1.44%	\$ 11,400,000
Federal Reserve Bank:		
Paycheck Protection Program Liquidity Facility (PPPLF)	1.00%	<u>3,744,979</u>
Total notes payable		<u>\$ 15,144,979</u>

The FHLB Fixed rate-fixed term advances outstanding at December 31, 2021 are set to mature in 2025. Actual maturities may differ from the scheduled principal maturities due to call options on the various advances.

The Company has a master contract agreement with the FHLB that provides for borrowings collateralized by qualifying residential and commercial real estate loans. The FHLB provides both fixed and floating rate advances. Floating rates are based on, but not directly tied to, short-term market rates of interest. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. At December 31, 2021, FHLB advances were secured by residential real estate loans totaling approximately \$17,806,000 and investment securities with a fair value of \$8,245,000. FHLB advances are also secured by \$530,000 of FHLB stock at December 31, 2021. At December 31, 2021, the Company's available and unused portion of this borrowing agreement totaled approximately \$20,997,000.

The subsidiary Bank has a credit facility available under the Federal Reserve Bank of Chicago's discount window program. At December 31, 2021 and 2020 there were no amounts outstanding. The amount of loans pledged as collateral at December 31, 2021, was \$5,405,000.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11. Income Tax

The provision for income taxes included in the accompanying consolidated financial statements consisted of the following components for the years ended December 31:

	2021	2020
Current income taxes	\$ 870,631	\$ 931,650
Deferred income taxes	445,947	355,027
Provision for income taxes	<u>\$ 1,316,578</u>	<u>\$ 1,286,677</u>

The net deferred tax assets in the accompanying consolidated balance sheets include the following amounts of deferred tax assets and liabilities at December 31:

	2021	2020
Deferred tax assets:		
Allowance for loan and lease losses	\$ 1,956,096	\$ 1,963,365
Nonaccrual loan income	32,996	85,444
Deferred compensation	878,916	940,520
Unrealized loss on available-for-sale debt securities	13,835	-
Net operating loss carryforward	423,412	682,462
Total deferred tax assets	<u>3,305,255</u>	<u>3,671,791</u>
Deferred tax liabilities:		
Depreciation	241,189	250,460
Federal Home Loan Bank stock dividends	10,396	10,396
Loan servicing income	310,490	237,489
Unrealized gain on available-for-sale debt securities	-	307,354
Other	135,711	133,865
Total deferred tax liabilities	<u>697,786</u>	<u>939,564</u>
Net deferred tax assets	<u>\$ 2,607,469</u>	<u>\$ 2,732,227</u>

The Company has a state net operating loss carryforward totaling approximately \$6,784,000, which may be applied against future taxable income and begins to expire in 2024.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11. Income Tax (Continued)

A reconciliation of statutory federal income taxes based on income before taxes to the provision for federal and state income taxes for the period, as summarized previously, is as follows:

	2021		2020	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Reconciliation of statutory to effective rates:				
Federal income taxes at statutory rate	\$ 1,046,398	21.00 %	\$ 937,905	21.00 %
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(2,115)	(0.04)	(1,682)	(0.04)
State income taxes	301,264	6.05	269,673	6.04
Other - Net	(28,969)	(0.58)	80,781	1.81
Provision for income taxes	\$ 1,316,578	26.42 %	\$ 1,286,677	28.81 %

Note 12. Profit Sharing Plan

The Company has a contributory 401(k) profit sharing plan covering substantially all employees. The Company matches 25% of the amount contributed by an eligible participant up to a maximum of 4% of the participant's annual compensation. Additional contributions to the 401(k) plan by the Company are discretionary and based on factors related to profits and wages. Contributions were \$221,161 and \$210,081 in 2021 and 2020, respectively.

Note 13. Salary Continuation Agreement

The Company has entered into salary continuation agreements with various executive officers. The agreements provide for the payment of specified amounts upon the employee's retirement or death, which is being accrued over the anticipated remaining period of employment. Expenses recognized for future benefits under these agreements totaled \$252,736 and \$1,687,475 in 2021 and 2020, respectively. Included in other liabilities was \$3,226,444 and \$3,452,589 of accrued salary continuation expense as of December 31, 2021 and 2020, respectively.

Note 14. Commitments and Contingencies

Credit-Related Financial Instruments: The Company is party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized on the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies (Continued)

At December 31, 2021 and 2020, the following instruments whose contract amounts represent credit risk were outstanding:

	2021	2020
Commitments to extend credit	\$ 51,654,000	\$ 67,583,000
Credit card commitments	1,425,000	1,551,000
Standby letters of credit	1,115,000	586,000

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. Commitments to extend credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the customer.

Credit card commitments are commitments on credit cards issued by the Company and serviced by other companies. These commitments are unsecured.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support public and private borrowing arrangements and generally have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount shown in the summary above. If the commitment were funded, the Company would be entitled to seek recovery from the customer. At December 31, 2021 and 2020, no amounts have been recorded as liabilities for the Company's potential obligations under these guarantees.

Concentration of Credit Risk: Practically all of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. Although the Company has a diversified loan portfolio, the ability of its debtors to honor their contracts is dependent on the economic conditions of the market area in which the Company operates.

Contingencies: In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 15. Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier 1, Tier 1, and total capital to risk-weighted assets and of Tier 1 capital to average assets. It is management's opinion, as of December 31, 2021, that the Bank met all applicable capital adequacy requirements

As of December 31, 2021 and 2020, under the regulatory framework for prompt corrective action, the subsidiary Bank was categorized as well capitalized. To be categorized as well capitalized, an institution must maintain minimum regulatory capital ratios as set forth in the table on the following table. There are no conditions or events since December 31, 2021, that management believes have changed the Bank's category.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 15. Regulatory Capital Requirements (Continued)

The subsidiary Bank's actual capital amounts and ratios as of December 31, 2021 and 2020, are presented in the following table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(in thousands)						
As of December 31, 2021						
Common Equity Tier 1 (to risk-weighted assets)						
The Baraboo State Bank	\$ 49,760	17.9%	\$ 12,512	4.5%	\$ 18,073	6.5%
Total capital (to risk-weighted assets):						
The Baraboo State Bank	\$ 53,281	19.2%	\$ 22,243	8.0%	\$ 27,804	10.0%
Tier I capital (to risk-weighted assets):						
The Baraboo State Bank	\$ 49,760	17.9%	\$ 16,682	6.0%	\$ 22,243	8.0%
Tier I capital (to average assets):						
The Baraboo State Bank	\$ 49,760	9.5%	\$ 20,906	4.0%	\$ 26,132	5.0%
As of December 31, 2020						
Common Equity Tier 1 (to risk-weighted assets)						
The Baraboo State Bank	\$ 46,556	14.1%	\$ 14,892	4.5%	\$ 21,511	6.5%
Total capital (to risk-weighted assets):						
The Baraboo State Bank	\$ 50,731	15.3%	\$ 26,475	8.0%	\$ 33,094	10.0%
Tier I capital (to risk-weighted assets):						
The Baraboo State Bank	\$ 46,556	14.1%	\$ 19,856	6.0%	\$ 26,475	8.0%
Tier I capital (to average assets):						
The Baraboo State Bank	\$ 46,556	9.7%	\$ 19,113	4.0%	\$ 23,891	5.0%

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements

Accounting standards describe three levels of inputs that may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.

Level 2 - Fair value measurement is based on (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.

Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Company's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities, such as debt securities available-for-sale, are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired loans, may be measured at fair value on a nonrecurring basis.

As of December 31, 2021 and 2020, the Company did not have any liabilities that are measured at fair value. Following is a description of the valuation methodology used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy.

Debt securities available-for-sale – Debt securities available-for-sale are classified as Level 2 measurements within the fair value hierarchy. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

Loans - Loans are not measured at fair value on a recurring basis. However, loans considered to be impaired (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of an impaired loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies; typically, they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Management routinely discounts the appraisals 10%-20% for estimated costs to sell and other factors. As such, this results in a Level 3 classification.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

Foreclosed assets - Real estate and other property acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Management routinely discounts the appraisals 10%-20% for estimated costs to sell and other factors. Fair value measurements prepared internally are based management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

Equity Securities - Equity securities with a readily determinable fair value are measured at fair value on a recurring basis. The fair value measurement of equity securities with a readily determinable fair value are based on the quoted price of the security and is considered a Level 1 fair value measurement. Equity securities without a readily determinable fair value, such as SB Bancorp Inc., are measured at fair value on a nonrecurring basis when transaction prices for identical or similar securities are identified. Fair value measurements on equity securities without a readily determinable fair value are generally considered a Level 2 fair value measurement.

Mortgage servicing rights - Mortgage servicing rights are not measured at fair value on a recurring basis. However, mortgage servicing rights that are impaired (see Note 1) are measured at fair value on a nonrecurring basis. Serviced loan pools are stratified by year of origination, and a valuation model is used to calculate the present value of expected future cash flows for each stratum. When the carrying value of a stratum exceeds its fair value, the stratum is measured at fair value. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. Although some of these assumptions are based on observable market data, other assumptions are based on unobservable estimates of what market participants would use to measure fair value. As a result, the fair value measurement of mortgage servicing rights is considered a Level 3 measurement.

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31 follows:

		Recurring Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
2021				
Assets - Available-for-sale debt securities	\$ 70,345,768	-	\$ 70,345,768	\$ -
2020				
Assets - Available-for-sale debt securities	\$ 38,993,996	-	\$ 38,993,996	\$ -

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of December 31 follows:

		Nonrecurring Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
2021				
Nonmarketable equity securities	\$ 687,500	\$ -	\$ 687,500	\$ -
2020				
Loans	\$ 1,267,554	\$ -	\$ -	\$ 1,267,554
Mortgage servicing rights	871,807	-	-	871,807
Nonmarketable equity securities	537,500	-	537,500	-
Foreclosed assets	84,850	-	-	84,850
Totals	\$ 2,761,711	\$ -	\$ 537,500	\$ 2,224,211

The Company did not have any impaired loans with a specific allocation at December 31, 2021. Impaired loans totaling \$1,552,858 had specific allocations of the allowance for loan losses and were written down to their estimated fair value of \$1,267,554 by recognizing a valuation allowance totaling \$285,304 at December 31, 2020.

During 2020, mortgage servicing rights with a carrying amount of \$1,326,956 were considered impaired and were written down to their estimated fair value of \$871,807, resulting in an impairment charge of \$455,149, which was included in earnings for the year ended December 31, 2020.

The Company did not have any foreclosed assets at December 31, 2021. Foreclosed assets with an original fair value net of estimated costs to sell totaling \$84,849 acquired through or in lieu of foreclosure were transferred in at estimated fair value without recognizing additional impairment at December 31, 2020.

During 2021, equity securities without a readily determinable fair value with a carrying amount of \$537,500 were written up to their fair value of \$687,500 based on observed transaction prices from sales of identical securities. This resulted in the recognition of a \$150,000 unrealized gain for the year ended December 31, 2021. During 2020, equity securities without a readily determinable fair value with a carrying amount of \$250,000 were written up to their fair value of \$537,500 based on observed transaction prices from sales of identical securities. This resulted in the recognition of a \$287,500 unrealized gain for the year ended December 31, 2020.

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

The Company estimates fair value of all financial instruments regardless of whether such instruments are measured at fair value. The estimated fair values of the Company's financial instruments are as follows:

	2021				
		Estimated	Fair Value		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 198,726,339	\$ 198,726,339	\$ 198,726,339	\$ -	\$ -
Available-for-sale debt securities	70,345,768	70,345,768	-	70,345,768	-
Loans held for sale	2,201,022	2,201,022	-	2,201,022	-
Loans, net	238,551,778	238,862,139	-	-	238,862,139
Cash surrender value of life insurance	10,246,204	10,246,204	10,246,204	-	-
Nonmarketable equity securities	2,278,200	2,278,200	-	687,500	1,590,700
Accrued interest receivable	1,027,360	1,027,360	1,027,360	-	-
Financial liabilities:					
Deposits	471,958,816	471,861,475	377,564,245	-	94,297,230
Borrowed Funds	5,000,000	4,942,462	-	-	4,942,462
Accrued interest payable	83,541	83,541	83,541	-	-
	2020				
		Estimated	Fair Value		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 120,845,617	\$ 120,845,617	\$ 120,845,617	\$ -	\$ -
Available-for-sale debt securities	38,993,996	38,993,996	-	38,993,996	-
Loans held for sale	3,547,371	3,547,371	-	3,547,371	-
Loans, net	304,073,064	305,025,796	-	-	305,025,796
Cash surrender value of life insurance	10,084,443	10,084,443	10,084,443	-	-
Nonmarketable equity securities	2,128,200	2,128,200	-	537,500	1,590,700
Accrued interest receivable	1,527,887	1,527,887	1,527,887	-	-
Financial liabilities:					
Deposits	420,748,807	421,614,472	320,163,957	-	101,450,515
Borrowed funds	15,144,979	14,756,408	-	-	14,756,408
Accrued interest payable	205,844	205,844	205,844	-	-

The Baraboo Bancorporation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16. Fair Value Measurements (Continued)

Limitations - The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases when quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts, nor is it recorded as an intangible asset on the balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The Baraboo Bancorporation, Inc.

Officers and Directors

Merlin E. Zitzner	Chairman, President, Treasurer, and CEO of The Baraboo Bancorporation, Inc.
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E. Milton Risgaard	Retired President of Teel Plastics Company, Inc.
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Lee C. Hoppe	Retired Vice President Glacier Valley Ford Inc.
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Greg L. Lindner	Vice President and Secretary of The Baraboo Bancorporation, Inc.
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Gregg H. McArthur	President, of McArthur Properties
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Tara J. Zitzner	Senior Vice President of Baraboo State Bank
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