



**MOUND CITY  
FINANCIAL SERVICES, INC.  
AND SUBSIDIARY**

**2021  
ANNUAL  
REPORT**

**YEARS ENDED  
DECEMBER 31, 2021, 2020**



## MESSAGE FROM THE PRESIDENT

Dear Shareholder:

On behalf of your Board of Directors, I am proud to report another year of record earnings exceeding budget for Mound City Financial Services, Inc. for 2021! Net income for the holding company totaled \$5.36 million, a 9.5% increase over 2020. These earnings resulted in earnings per share of \$20.94 compared to \$19.12 per share in 2020. The net earnings represent a Return on Average Equity of 12.24%.

Capital ratios are healthy with Tier I Capital recorded at 11.32% for the holding company. The Tier I ratio as well as the Risk Based Capital ratios are all significantly above the regulators' definition of "well capitalized". Book value increased to \$180.77 compared to \$161.53 per share at year end 2020.

Overall asset growth was 6.92%, with our year-end total bank assets of \$450 million. Liquidity and asset quality remain strong. Another good financial year for our farmers! Non-performing assets have decreased from .81% during 2020 to .34% at the end of 2021. Due to good asset quality in our loan portfolio, we were able to lower our Allowance for Loan Loss expense from \$987,000 to \$313,000.

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## **MOUND CITY BANK TAKES PRIDE IN BEING YOUR LOCALLY OWNED, INDEPENDENT COMMUNITY BANK**

On balance sheet loan growth demand grew 8.38% and our secondary market loans increased by an impressive 7.39%. Loan growth generates loan service fee income from farm real estate, consumer mortgages & business real estate loans. In 2021, we again partnered with our businesses & non-profits to obtain 440 Small Business Administration (SBA) Paycheck Protection Program (PPP) loans in the amount of \$8.77 million in the second round of PPP loans. As of this printing, all of the PPP loans in our portfolio have now been forgiven. With steady loan demand, the bank garnered a high earnings level of lending related fees of \$4.4 million due to low interest rates with business demand and consumers buying, selling and building new homes.

Seeing a need to stay abreast with banking technology & information security, we converted to a new core system to house our customer data. I am very proud of our experienced team of qualified bankers who put in many dedicated hours to see this project through to completion. We also converted onto a more robust loan documentation system & we are working on integration of both systems for greater efficiency.

Strategic priorities for 2022 include an emphasis on our technology and cybersecurity strategies of our networks and security of our customer data. We will continue to monitor loan asset quality as inflation begins to impact household spending, crop inputs and business owner decisions on expansion. We will partner with our customers as the year progresses to ensure we are here to offer premier solutions to assist them in reaching their financial goals during 2022.

**WE ARE HERE FOR YOU!** We want to thank you, our shareholder, for your support & loyalty- in these unprecedented times- so that Mound City Bank can continue to write our success story as your 106 year old, local decision making, independent, community owned bank.

I am proud to present to you this 2021 Annual Report for Mound City Financial Services, Inc.

Sincerely,



Donna J. Hoppenjan  
President of Mound City Financial  
Services, Inc.

# **MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY** **CONSOLIDATED BALANCE SHEETS**

<i>December 31,</i>	2021	2020
<b>Assets:</b>		
Cash and due from banks	\$ 12,117,058	\$ 9,740,453
Federal funds sold	1,145,471	397,479
Interest-bearing deposits	25,519,876	25,247,229
Cash and cash equivalents	38,782,405	35,385,161
Other interest-bearing deposits	2,205,000	2,695,000
Securities available for sale	71,946,744	72,347,944
Securities held to maturity	2,770,000	2,830,000
Loans held for sale	1,938,901	249,400
Loans, net	313,569,142	290,669,290
Premises and equipment, net	5,094,711	3,600,340
Mortgage servicing rights	1,537,300	1,452,913
Other investments	1,282,559	1,018,394
Accrued interest receivable	1,845,919	1,931,671
Cash value of life insurance	7,327,711	7,161,374
Other assets	1,383,620	923,569
Total assets	\$ 449,684,012	\$ 420,265,056
<b>Liabilities:</b>		
Demand	\$ 78,106,487	\$ 68,012,065
Savings and NOW	215,203,672	183,041,479
Other time	97,286,411	106,962,469
Total deposits	390,596,570	358,016,013
Borrowed funds	5,000,000	12,000,000
Subordinated debentures	5,155,000	5,155,000
Accrued salary continuation	1,121,293	1,026,987
Other liabilities	1,131,822	1,200,532
Total liabilities	403,004,685	377,398,532
<b>Stockholders' Equity:</b>		
Common stock - No par value, \$1 stated value		
Authorized - 600,000 shares; issued - 261,885 shares;		
outstanding - 255,990 shares	261,885	261,885
Additional paid-in capital	7,387,619	7,387,619
Retained earnings	42,231,358	37,306,627
Accumulated other comprehensive income	404,259	1,516,187
Treasury stock, at cost - 5,895 shares	(3,605,794)	(3,605,794)
Total stockholders' equity	46,679,327	42,866,524
Total liabilities and stockholders' equity	\$ 449,684,012	\$ 420,265,056

# **MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY** **CONSOLIDATED STATEMENTS OF INCOME**

<i>Years Ended December 31,</i>	2021	2020
Interest and dividend income:		
Loans, including fees	\$ 14,190,366	\$ 13,536,675
Securities:		
Taxable	630,571	783,666
Tax-exempt	493,320	403,914
Interest-bearing deposits	119,058	182,304
Federal funds sold	113	24,272
FHLB stock dividends	23,828	34,232
Other	13,763	11,520
<b>Total interest and dividend income</b>	<b>15,471,019</b>	<b>14,976,583</b>
Interest expense:		
Deposits	1,671,057	2,741,227
Borrowed funds	202,469	392,766
Subordinated debentures	86,349	115,214
<b>Total interest expense</b>	<b>1,959,875</b>	<b>3,249,207</b>
Net interest income	13,511,144	11,727,376
Provision for loan losses	312,865	986,872
<b>Net interest income after provision for loan losses</b>	<b>13,198,279</b>	<b>10,740,504</b>
Noninterest income:		
Service fees	1,649,022	1,706,637
Mortgage banking income	1,147,363	4,241,387
Increase in cash value of life insurance	166,337	162,973
Commissions	1,057,348	915,036
Unrealized gain (loss) on equity securities	164,483	(29,571)
Other	738,349	497,255
<b>Total noninterest income</b>	<b>4,922,902</b>	<b>7,493,717</b>
Noninterest expense:		
Salaries and employee benefits	7,108,090	6,986,647
Occupancy	748,105	770,977
Computer services	953,965	523,654
Other real estate owned, net	(143,858)	(14,253)
Other	2,181,451	3,382,734
<b>Total noninterest expense</b>	<b>10,847,753</b>	<b>11,649,759</b>
Net income before income taxes	7,273,428	6,584,462
Provision for income taxes	1,913,514	1,689,852
<b>Net income</b>	<b>\$ 5,359,914</b>	<b>\$ 4,894,610</b>
<b>Earnings per share</b>	<b>\$ 20.94</b>	<b>\$ 19.12</b>
<b>Weighted average shares outstanding</b>	<b>255,990</b>	<b>255,990</b>



## MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2020	\$ 261,885	\$ 7,387,619	\$ 32,808,804	\$ 603,832	\$ (3,605,794)	\$ 37,456,346
Net income	-	-	4,894,610	-	-	4,894,610
Other comprehensive income	-	-	-	912,355	-	912,355
Dividends to stockholders	-	-	(396,787)	-	-	(396,787)
Balance at December 31, 2020	261,885	7,387,619	37,306,627	1,516,187	(3,605,794)	42,866,524
Net income	-	-	5,359,914	-	-	5,359,914
Other comprehensive loss	-	-	-	(1,111,928)	-	(1,111,928)
Dividends to stockholders	-	-	(435,183)	-	-	(435,183)
Balance at December 31, 2021	\$ 261,885	\$ 7,387,619	\$ 42,231,358	\$ 404,259	\$ (3,605,794)	\$ 46,679,327



# FINANCIAL HIGHLIGHTS

	December 31,				
	2021	2020	2019	2018	2017
<b>Statement of Operations</b>					
Interest Income	\$ 15,471,019	\$ 14,976,583	\$ 15,445,920	\$ 14,593,784	\$ 13,380,606
Interest Expense	1,959,875	3,249,207	4,283,397	3,401,110	2,422,686
Net Interest Income	13,511,144	11,727,376	11,162,523	14,593,784	10,957,920
Provision for Loan Losses	312,865	986,872	1,127,138	1,698,902	176,837
Net Interest Income After Provision for Loan Losses	13,198,279	10,740,504	10,035,385	9,493,772	10,781,083
Noninterest Income	4,922,902	7,493,717	4,315,173	3,162,190	2,937,783
Noninterest Expenses	10,847,753	11,649,759	9,040,515	8,253,396	8,051,222
Income Before Income Taxes	7,273,428	6,584,462	5,310,043	4,402,566	5,667,644
Provision for Income Taxes	1,913,514	1,689,852	1,349,611	1,092,156	2,333,798
Net Income	\$ 5,359,914	\$ 4,894,610	\$ 3,960,432	\$ 3,310,410	\$ 3,333,846
<b>Statement of Condition</b>					
Total Bank Assets	\$ 449,667,924	\$ 420,575,542	\$ 384,144,678	\$ 365,106,057	\$ 360,928,799
Investment Securities	74,716,744	75,177,944	45,201,000	37,558,950	37,043,915
Loans	315,508,043	290,918,690	284,027,040	287,366,782	280,326,821
Total Deposits	390,596,570	358,016,013	321,106,254	296,483,111	298,916,735
Other Borrowings	5,000,000	12,000,000	18,407,355	28,999,595	25,189,734
Subordinated Debentures	5,155,000	5,155,000	5,155,000	5,155,000	5,155,000
Equity (1)	46,275,068	41,350,337	36,852,514	33,276,065	30,336,841
<b>Averages</b>					
Average Assets (2)	\$ 435,263,464	\$ 406,330,767	\$ 369,023,627	\$ 356,657,776	\$ 337,977,142
Average Loans	309,011,607	293,880,510	296,884,188	288,552,911	275,374,542
Average Deposits	370,784,976	339,277,986	300,990,353	289,854,493	276,638,418
Average Equity	43,812,703	39,101,426	35,064,291	31,806,453	28,851,000
<b>Ratios</b>					
Asset Growth Rate	6.92%	9.49%	5.39%	1.31%	9.34%
Loan Growth Rate	8.38%	2.75%	-1.29%	3.06%	6.45%
Deposit Growth	9.09%	11.49%	8.42%	-0.81%	8.00%
Loan to Deposit Ratio	82.32%	82.85%	86.78%	98.63%	94.94%
Return on Average Assets	1.24%	1.20%	1.07%	0.93%	0.99%
Return on Average Equity	12.24%	12.52%	11.30%	10.58%	11.56%
Equity to Average Assets	10.42%	9.85%	9.72%	9.33%	8.98%
Earnings per Share (weighted average)	\$ 20.94	\$ 19.12	\$ 15.47	\$ 12.93	\$ 13.02
Dividend Paid per Share	\$ 1.70	\$ 1.55	\$ 1.50	\$ 1.45	\$ 1.45

(1) MCFS Equity, Net of Comprehensive Income

(2) MCB Average Annual Assets, Net of Comprehensive Income

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## MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>Years Ended December 31,</i>	2021	2020
Net income	\$ 5,359,914	\$ 4,894,610
Other comprehensive gain (loss):		
Unrealized gains (losses) on securities available for sale, net of tax effect of (\$295,575) and \$242,526, respectively	(1,111,928)	912,355
Total other comprehensive income (loss)	(1,111,928)	912,355
Total comprehensive income	\$ 4,247,986	\$ 5,806,965





# MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2021	2020
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	\$ 5,359,914	\$ 4,894,610
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	383,667	344,439
Net amortization of securities and mortgage servicing rights	1,057,839	351,374
Net gain on sales and writedowns of other real estate owned	(143,858)	(17,204)
Provision for loan losses	312,865	986,872
Deferred tax benefit	(89,257)	(36,956)
Net increase in cash value of life insurance	(166,337)	(162,975)
Gain on sales of fixed assets	-	(4,433)
Unrealized (gain) loss on equity securities	(164,483)	29,571
Changes in operating assets and liabilities:		
Loans held for sale	(1,689,501)	1,137,150
Other assets	10,533	(49,798)
Other liabilities	25,596	325,481
Net cash provided by operating activities	4,896,978	7,798,131
Cash flows from investing activities:		
Net decrease in other interest-bearing deposits	490,000	-
Sales, maturities, prepayments, and calls of securities available for sale	12,462,727	9,987,033
Maturities, prepayments, and calls of securities held-to-maturity	60,000	400,000
Purchases of securities available for sale	(14,085,363)	(39,501,570)
Net increase in loans	(23,738,610)	(10,709,429)
Net (purchase) redemption of FHLB stock	(99,682)	166,831
Proceeds from sales of other real estate owned	143,858	99,947
Capital expenditures	(1,878,038)	(560,733)
Proceeds from disposal on premises and equipment	-	29,100
Net cash used in investing activities	(26,645,108)	(40,088,821)
Cash flows from financing activities:		
Net increase in deposits	32,580,557	36,909,759
Repayments of borrowed funds	(12,000,000)	(10,407,355)
Proceeds from borrowed funds	5,000,000	4,000,000
Dividends paid	(435,183)	(396,787)
Net cash provided by financing activities	25,145,374	30,105,617
Net increase (decrease) in cash and cash equivalents	3,397,244	(2,185,073)
Cash and cash equivalents at beginning of year	35,385,161	37,570,234
Cash and cash equivalents at end of year	\$ 38,782,405	\$ 35,385,161
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 2,050,889	\$ 3,370,243
Income taxes	1,943,996	1,903,444
<b>Supplemental schedule of noncash financing activities:</b>		
Other real estate owned acquired in settlement of loans	-	82,743



# MOUND CITY BANK'S COMMUNITY IMPACT

**335**

## CLOSED MORTGAGES

PUTTING CUSTOMERS  
IN HOMES DURING 2021

**15.6K**

## RELATIONSHIPS

DEPOSIT RELATIONSHIPS  
WITHIN OUR COMMUNITIES

**91K**

## DONATIONS

GIVEN IN EDUCATION AND  
COMMUNITY OUTREACH  
PROGRAMS TO  
SURROUNDING COMMUNITIES

**11K**

## SCHOLARSHIPS

GIVEN TO AREA HIGH SCHOOL  
STUDENTS TO FURTHER  
THEIR EDUCATION

**80**

## EMPLOYEES

DEDICATED TO PROVIDING  
YOU WITH KNOWLEDGE  
AND EXPERTISE

**440**

## PPP LOANS

GIVEN TO AREA BUSINESSES  
IN THE AMOUNT OF  
\$8.77M

**OUR  
CORE  
VALUES**

**WITH INTEGRITY  
EXCELLENCE**

**COMPASSION  
ACCOUNTABILITY  
RESPECT  
EXPERTISE**

*Proud to be here for you*



**MOUND CITY BANK**