



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

# **2023 ANNUAL REPORT**

**YEARS ENDED  
December 31, 2023, 2022**



## MESSAGE FROM THE PRESIDENT

Dear Shareholder:

On behalf of your Board of Directors, I am proud to report our 5th best year on record for Mound City Financial Services, Inc. in 2023! Net income for the holding company totaled \$3.46 million, a 28.24% decrease over 2022. These earnings resulted in earnings per share of \$13.50 compared to \$18.83 per share in 2022. The net earnings represent a Return on Average Equity of 6.64%.

Capital ratios are healthy with Tier I Capital recorded at 12.59% 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 \$209.20 compared to \$197.70 per share at year end 2022.

Overall asset growth was (-.11%), with our year-end total bank assets of \$469.7 million. Asset quality remains the strongest it has been since the holding company was formed! Another good financial year for our farmers! Non-performing assets are also at a record low of .03%; reduced even better than the .38% in 2022. Due to good asset quality in our loan portfolio, we were able to lower our Allowance for



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

Credit Losses expense to \$0; but our Provision for Overdraft Losses increased from \$14,129 to \$45,819, an indicator of inflation in 2023.

On balance sheet loan growth demand grew 2.37%, compared to our record growth of 14.45% in 2022. Secondary market loans increased .69%, compared to the impressive 8.2% growth in 2022. This decrease in loan growth was affected by the numerous rate hikes during 2023 and the lack of homes for sale inventory in our market area.

Strategic priorities for 2024 include monitoring loan asset quality. Loan asset quality is impacted by economic factors of layoffs, household inflationary spending, rising costs of crop inputs and business owner decisions on expansion. We will continue our focus on technology and cybersecurity strategies of our networks and security of our customer data. We continue to look forward to possible small reduction in interest rates as we partner with our customers to offer our banking expertise in reaching their financial goals during 2024. We are excited to be moving into a new facility in Cuba City in 1Q24 to meet our growing needs. Congratulations to Commercial/

Agriculture Loan Processor Julie Runde on her retirement from Mound City Bank after 35 years serving a total of 41 years to the banking industry!

WE ARE HERE FOR YOU! We want to thank you, our shareholder, for your support & loyalty during 2023. This new year will present new challenges as our customers adjust to the current rate environment and the potential for slightly lower rates by the end of 2024. We are proud to serve you as Mound City Bank continues its mission of Building Lasting Relationships with Premier Financial Solutions as your local decision making, independent, community owned bank.

I am pleased to present to you this 2023 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

December 31,	2023	2022
<b>Assets:</b>		
Cash and due from banks	\$ 10,044,009	\$ 8,918,151
Federal funds sold	56,868	5,631,683
Interest-bearing deposits	2,992,869	5,892,260
Cash and cash equivalents	13,093,746	20,442,094
Other interest-bearing deposits	245,000	490,000
Securities available for sale, net	63,011,262	65,004,896
Securities held to maturity, net	1,870,000	2,370,000
Loans, net of allowance for credit losses of \$5,840,368 and \$6,070,523 at December 31, 2023 and 2022, respectively	370,919,085	361,952,232
Premises and equipment, net	6,427,655	5,513,472
Mortgage servicing rights, net	1,383,900	1,439,877
Other investments	1,635,875	2,097,874
Accrued interest receivable	2,600,240	2,057,812
Cash value of life insurance	7,687,769	7,502,051
Other assets	2,268,579	2,839,946
<b>Total assets</b>	<b>\$ 471,143,111</b>	<b>\$ 471,710,254</b>
<b>Liabilities:</b>		
Demand	\$ 71,286,826	\$ 76,985,386
Savings and NOW	207,742,113	214,744,675
Other time	130,514,314	103,440,581
<b>Total deposits</b>	<b>409,543,253</b>	<b>395,170,642</b>
Borrowed funds	5,000,000	25,000,000
Subordinated debentures	5,155,000	5,155,000
Accrued salary continuation	1,323,296	1,220,007
Other liabilities	1,424,630	843,476
<b>Total liabilities</b>	<b>422,446,179</b>	<b>427,389,125</b>
<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	49,509,549	46,563,530
Accumulated other comprehensive income (loss)	(4,856,327)	(6,286,111)
Treasury stock, at cost - 5,895 shares	(3,605,794)	(3,605,794)
<b>Total stockholders' equity</b>	<b>48,696,932</b>	<b>44,321,129</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 471,143,111</b>	<b>\$ 471,710,254</b>

See accompanying notes to consolidated financial statements.

# MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2023	2022
Interest and dividend income:		
Loans, including fees	\$ 16,643,143	\$ 13,637,320
Securities:		
Taxable	938,797	851,787
Tax-exempt	505,928	504,131
Interest-bearing deposits	566,918	186,958
Federal funds sold	63,622	33,067
FHLB stock dividends	72,198	27,536
Other	14,895	14,479
<b>Total interest and dividend income</b>	<b>18,805,501</b>	<b>15,255,278</b>
Interest expense:		
Deposits	6,668,172	2,086,401
Federal funds purchased	1,202	479
Borrowed funds	333,761	162,159
Subordinated debentures	352,097	168,961
<b>Total interest expense</b>	<b>7,355,232</b>	<b>2,418,000</b>
<b>Net interest income</b>	<b>11,450,269</b>	<b>12,837,278</b>
<b>Provision for credit losses</b>	<b>45,819</b>	<b>14,129</b>
<b>Net interest income after provision for credit losses</b>	<b>11,404,450</b>	<b>12,823,149</b>
Noninterest income:		
Service fees	1,570,365	1,545,157
Mortgage banking income	145,386	194,776
Other real estate owned, net	4,957	9,839
Increase in cash value of life insurance	185,719	174,340
Commissions	1,044,794	1,056,657
Unrealized gain on equity securities	131,208	9,962
Other	786,601	704,801
<b>Total noninterest income</b>	<b>3,869,030</b>	<b>3,695,532</b>
Noninterest expense:		
Salaries and employee benefits	7,119,499	6,850,164
Occupancy	781,842	787,229
Computer services	477,534	419,947
Net loss on sale of securities	166,944	1,490
Other	2,411,015	1,987,843
<b>Total noninterest expense</b>	<b>10,956,834</b>	<b>10,046,673</b>
<b>Net income before income taxes</b>	<b>4,316,646</b>	<b>6,472,008</b>
<b>Provision for income taxes</b>	<b>858,647</b>	<b>1,653,455</b>
<b>Net income</b>	<b>\$ 3,457,999</b>	<b>\$ 4,818,553</b>
<b>Earnings per share</b>	<b>\$ 13.51</b>	<b>\$ 18.83</b>
<b>Weighted average shares outstanding</b>	<b>255,990</b>	<b>255,990</b>

See accompanying notes to consolidated financial statements.

# 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, 2022	\$ 261,885	\$ 7,387,619	\$ 42,231,358	\$ 404,259	\$ (3,605,794)	\$ 46,679,327
Net income	-	-	4,818,553	-	-	4,818,553
Other comprehensive loss	-	-	-	(6,690,370)	-	(6,690,370)
Dividends to stockholders	-	-	(486,381)	-	-	(486,381)
Balance at December 31, 2022	261,885	7,387,619	46,563,530	(6,286,111)	(3,605,794)	44,321,129
Net income	-	-	3,457,999	-	-	3,457,999
Other comprehensive income	-	-	-	1,429,784	-	1,429,784
Dividends to stockholders	-	-	(511,980)	-	-	(511,980)
Balance at December 31, 2023	\$ 261,885	\$ 7,387,619	\$ 49,509,549	\$ (4,856,327)	\$ (3,605,794)	\$ 48,696,932

See accompanying notes to consolidated financial statements.



# FINANCIAL HIGHLIGHTS

	December 31,				
	2023	2022	2021	2020	2019
<b>Statement of Operations</b>					
Interest Income	\$ 18,805,501	\$ 15,349,405	\$ 15,471,019	\$ 14,976,583	\$ 15,445,920
Interest Expense	7,355,232	2,418,000	1,959,875	3,249,207	4,283,397
Net Interest Income	11,450,269	12,931,405	13,511,144	11,727,376	11,162,523
Provision for Loan Losses	45,819	14,129	312,865	986,872	1,127,138
Net Interest Income After Provision for Loan Losses	11,404,450	12,917,276	13,198,279	10,740,504	10,035,385
Noninterest Income	3,869,030	3,601,405	5,105,139	7,493,717	4,315,173
Noninterest Expenses	10,956,834	10,046,673	11,029,990	11,649,759	9,040,515
Income Before Income Taxes	4,316,646	6,472,008	7,273,428	6,584,462	5,310,043
Provision for Income Taxes	858,647	1,653,455	1,913,514	1,689,852	1,349,611
Net Income	\$ 3,457,999	\$ 4,818,553	\$ 5,359,914	\$ 4,894,610	\$ 3,960,432
<b>Statement of Condition</b>					
Total Bank Assets	\$ 471,143,111	\$ 470,190,909	\$ 449,667,924	\$ 420,575,542	\$ 384,144,678
Investment Securities	64,881,262	67,374,896	74,716,744	75,177,944	45,201,000
Loans- Bank	376,759,451	368,022,753	315,508,043	290,918,690	284,027,040
Total Deposits- Bank	409,680,118	395,301,866	390,596,570	358,016,013	321,106,254
Other Borrowings	5,000,000	25,000,000	5,000,000	12,000,000	18,407,355
Subordinated Debentures	5,155,000	5,155,000	5,155,000	5,155,000	5,155,000
Equity (1)	53,553,259	50,607,240	46,275,068	41,350,337	36,852,514
<b>Averages</b>					
Average Assets (2)	\$ 465,377,880	\$ 447,960,467	\$ 435,263,464	\$ 406,330,767	\$ 369,023,627
Average Loans	361,867,890	334,412,713	309,011,607	293,880,510	296,884,188
Average Deposits	395,809,981	384,930,005	370,784,976	339,277,986	300,990,353
Average Equity	51,965,072	48,441,154	43,812,703	39,101,426	35,064,291
<b>Ratios</b>					
Asset Growth Rate	-0.11%	4.57%	6.92%	9.49%	5.39%
Loan Growth Rate	2.37%	14.45%	8.38%	2.75%	-1.29%
Deposit Growth	3.64%	1.19%	9.09%	11.49%	8.42%
Loan to Deposit Ratio	91.97%	93.10%	82.32%	82.85%	86.78%
Return on Average Assets	0.75%	1.08%	1.24%	1.20%	1.07%
Return on Average Equity	6.64%	9.95%	12.24%	12.52%	11.30%
Equity to Average Assets	11.33%	10.91%	10.42%	9.85%	9.72%
Earnings per Share (weighted average)	\$ 13.50	\$ 18.83	\$ 20.94	\$ 19.12	\$ 15.47
Dividend Paid per Share	\$ 2.00	\$ 1.90	\$ 1.70	\$ 1.55	\$ 1.50

(1) MCFS Equity, Net of Comprehensive Income

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



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

<i>Years Ended December 31,</i>	2023	2022
Net income	\$ 3,457,999	\$ 4,818,553
Other comprehensive gain (loss):		
Unrealized gains (losses) on securities available for sale	1,642,909	(8,470,313)
Reclassification adjustment for losses realized in income	166,944	1,490
Tax effect	(380,069)	1,778,453
Total other comprehensive income (loss)	1,429,784	(6,690,370)
Total comprehensive income (loss)	\$ 4,887,783	\$ (1,871,817)

See accompanying notes to consolidated financial statements.





# MOUND CITY FINANCIAL SERVICES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years Ended December 31,</i>	2023	2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	\$ 3,457,999	\$ 4,818,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	369,611	363,046
Net amortization on securities	351,766	483,891
Net amortization of mortgage servicing rights	55,977	97,423
Net gain on sales and writedowns of other real estate owned	(4,957)	(9,839)
Provision for credit losses	45,819	14,129
Deferred tax expense	256,584	224,955
Net increase in cash value of life insurance	(185,718)	(174,340)
Loss on sale of fixed assets	-	47,895
Loss on sale of investment securities	166,944	1,490
Unrealized gain on equity securities	(131,208)	(9,962)
Changes in operating assets and liabilities:		
Loans held for sale	-	1,938,901
Other assets	(607,714)	(114,722)
Other liabilities	684,443	(189,632)
Net cash provided by operating activities	4,459,546	7,491,788
Cash flows from investing activities:		
Net decrease in other interest-bearing deposits	245,000	1,715,000
Sales, maturities, prepayments, and calls of securities available for sale	10,548,892	12,929,301
Maturities, prepayments, and calls of securities held-to-maturity	500,000	400,000
Purchases of securities available for sale	(7,264,115)	(14,941,656)
Net increase in loans	(9,012,672)	(48,397,219)
Net (purchase) redemption of FHLB stock	593,207	(805,353)
Proceeds from sales of other real estate owned	4,957	9,839
Capital expenditures	(1,283,794)	(829,702)
Net cash used in investing activities	(5,668,525)	(49,919,790)
Cash flows from financing activities:		
Net increase in deposits	14,372,611	4,574,072
Repayments of borrowed funds	(20,000,000)	(5,000,000)
Proceeds from borrowed funds	-	25,000,000
Dividends paid	(511,980)	(486,381)
Net cash provided by (used in) financing activities	(6,139,369)	24,087,691
Net increase (decrease) in cash and cash equivalents	(7,348,348)	(18,340,311)
Cash and cash equivalents at beginning of year	20,442,094	38,782,405
Cash and cash equivalents at end of year	\$ 13,093,746	\$ 20,442,094
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 7,000,202	\$ 2,272,773
Income taxes	1,017,000	1,293,000

See accompanying notes to consolidated financial statements.





# **MOUND CITY BANK**

## ***COMMUNITY FOCUSED***

**165**

**CLOSED MORTGAGES**  
PUTTING CUSTOMERS  
IN HOMES DURING 2023

**17.3K**

**DEPOSIT RELATIONSHIPS**  
WITHIN OUR COMMUNITIES  
WE SERVE

**75.1K**

**DONATIONS**  
EDUCATION & COMMUNITY  
OUTREACH TO OUR COMMUNITIES

**11K**

**SCHOLARSHIPS**  
AREA HIGH SCHOOL STUDENTS  
FURTHERING THEIR EDUCATION

**80**

**EMPLOYEES**  
DEDICATED TO HELPING YOU  
ACHIEVE YOUR FINANCIAL GOALS

**170**

**VOLUNTEER HOURS**  
EMPLOYEE COMMUNITY SERVICE

***OUR  
CORE  
VALUES***

**WITH INTEGRITY**  
**EXCELLENCE**

**COMPASSION**  
**ACCOUNTABILITY**  
**RESPECT**  
**EXPERTISE**

