SOUTHERN MISSOURI BANCORP INC
Form 10-K/A
December 04, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended June 30, 2014 OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-23406

SOUTHERN MISSOURI BANCORP, INC.

(Exact name of registrant as specified in its charter)

Missouri	43-1665523
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
531 Vine Street, Poplar Bluff, Missouri	63901
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (573) 778-1800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit and post such files. YES x NO o

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the average of the high and low traded price of such stock as of the last business day of the registrant's most recently completed second fiscal quarter, was $96.8 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

As of September 11, 2014, there were issued and outstanding 3,686,333 shares of the Registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of the Proxy Statement for the 2014 Annual Meeting of Stockholders.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 on Form 10-K/A to our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 is to insert the name of our independent registered public accounting firm, BKD, LLP, in their report contained in Item 8 and in their consent filed as Exhibit 23, which was omitted from the report and consent filed with the original Form 10-K, and to add a previously omitted Form S-8 registration statement to the list of registration statements in the consent. Other than the inclusion with this Amendment No. 1 of new certifications required by Rules 13a-14(a) and 13a-14(b) under the Securities Exchange Act of 1934, as amended, a new consent of BKD, LLP and an updated list of exhibits in Item 15, this Amendment No. 1 does not modify, or update any other disclosures contained in, our original Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors
and Stockholders
Southern Missouri Bancorp, Inc.
Poplar Bluff, Missouri

We have audited the accompanying consolidated balance sheets of Southern Missouri Bancorp, Inc. ("Company") as of June 30, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended June 30, 2014. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Missouri Bancorp, Inc. as of June 30, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Southern Missouri Bancorp, Inc.'s internal control over financial reporting as of June 30, 2014, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 15, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP

St. Louis, Missouri
September 15, 2014

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> CONSOLIDATED BALANCE SHEETS <
JUNE 30, 2014 AND 2013
Southern Missouri Bancorp, Inc.

	2014	2013
Assets		
Cash and cash equivalents	$14,932,308	$12,788,950
Interest-bearing time deposits	1,655,000	980,000
Available for sale securities (Note 2)	130,222,182	80,004,226
Stock in FHLB of Des Moines	4,569,100	2,006,600
Stock in Federal Reserve Bank of St. Louis	1,423,750	1,004,450
Loans receivable, net of allowance for loan losses of $9,259,297 and $8,385,980 at June 30, 2014 and June 30, 2013, respectively (Notes 3 and 4)	801,055,973	647,165,899
Accrued interest receivable	4,401,827	3,969,697
Premises and equipment, net (Note 5)	22,466,423	17,515,834
Bank owned life insurance – cash surrender value	19,122,852	16,467,043
Intangible assets, net	2,335,296	914,042
Goodwill	1,600,204	126,384
Prepaid expenses and other assets	17,637,104	13,448,115
TOTAL ASSETS	$1,021,422,019	$796,391,240
Liabilities and Stockholders' Equity		
Deposits (Note 6)	$785,801,007	$632,378,933
Securities sold under agreements to repurchase (Note 7)	25,561,086	27,788,192
Advances from FHLB of Des Moines (Note 8)	85,472,206	24,500,000
Accounts payable and other liabilities	3,180,779	2,149,234
Accrued interest payable	569,666	528,528
Subordinated debt (Note 9)	9,726,545	7,217,000
TOTAL LIABILITIES	910,311,289	694,561,887
Commitments and contingencies (Note 15)		
Preferred stock, $.01 par value, $1,000 liquidation value; 500,000 shares authorized; 20,000 shares issued and outstanding at June 30, 2014 and June 30, 2013	20,000,000	20,000,000
Common stock, $.01 par value; 8,000,000 shares authorized; 3,340,440 and 3,294,040 shares, respectively, issued at June 30, 2014 and June 30, 2013, respectively	33,404	32,940
Warrants to acquire common stock	176,790	176,790
Additional paid-in capital	23,504,118	22,752,424
Retained earnings	66,808,414	59,046,139
Accumulated other comprehensive income (loss)	588,004	(178,940)
TOTAL STOCKHOLDERS' EQUITY	111,110,730	101,829,353
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,021,422,019	$796,391,240

See accompanying notes to consolidated financial statements.

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> CONSOLIDATED STATEMENTS OF INCOME <
YEARS ENDED JUNE 30, 2014, 2013 AND 2012
Southern Missouri Bancorp, Inc.

	2014	2013	2012
Interest Income:			
Loans	$37,551,663	$34,355,076	$36,349,320
Investment securities	1,950,679	1,528,530	1,482,094
Mortgage-backed securities	942,750	341,128	924,771
Other interest-earning assets	25,388	66,603	209,119
TOTAL INTEREST INCOME	40,470,480	36,291,337	38,965,304
Interest Expense:			
Deposits	5,963,089	6,073,149	8,243,381
Securities sold under agreements to repurchase	131,605	201,662	234,562
Advances from FHLB of Des Moines	1,085,256	999,046	1,232,919
Subordinated debt	304,719	227,127	232,154
TOTAL INTEREST EXPENSE	7,484,669	7,500,984	9,943,016
NET INTEREST INCOME	32,985,811	28,790,353	29,022,288
Provision for loan losses (Note 3)	1,645,619	1,716,050	1,784,715
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,340,192	27,074,303	27,237,573
Noninterest income:			
Deposit account charges and related fees	2,616,110	1,873,125	1,524,733
Bank credit transaction fees	1,432,911	1,186,345	1,109,503
Loan late charges	240,837	239,928	221,550
Other loan fees	442,574	290,017	200,260
Net realized gains on sale of loans	503,026	302,538	315,674
Net realized gains on sale of securities	116,164	-	-
Earnings on bank owned life insurance	539,927	509,543	343,031
Other income	240,809	66,774	348,459
TOTAL NONINTEREST INCOME	6,132,358	4,468,270	4,063,210
Noninterest expense:			
Compensation and benefits	12,264,608	10,136,068	9,237,003
Occupancy and equipment, net	3,846,252	2,816,738	2,531,587
Deposit insurance premiums	461,967	377,587	375,001
Legal and professional fees	1,523,561	477,020	442,931
Advertising	520,286	313,025	340,654
Postage and office supplies	568,043	470,497	441,866
Intangible amortization	673,657	417,132	417,131
Bank card network fees	1,114,278	567,101	567,584
Other operating expense	2,673,638	1,945,719	2,251,654
TOTAL NONINTEREST EXPENSE	23,646,290	17,520,887	16,605,411
INCOME BEFORE INCOME TAXES	13,826,260	14,021,686	14,695,372
Income Taxes (Note 11)			
Current	4,352,876	3,724,085	6,006,254
Deferred	(607,717)	230,386	(1,409,145)

	3,745,159	3,954,471	4,597,109
NET INCOME	$10,081,101	$10,067,215	$10,098,263
Less: charge for early redemption of preferred stock issued at a discount	-	-	94,365
Less: dividend on preferred shares	200,000	345,115	424,184
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$9,881,101	$9,722,100	$9,579,714
Basic earnings per share available to common stockholders	$2.99	$2.95	$3.43
Diluted earnings per share available to common stockholders	$2.91	$2.88	$3.32
Dividends paid	$0.64	$0.60	$0.48

See accompanying notes to consolidated financial statements.

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> CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME <
YEARS ENDED JUNE 30, 2014, 2013 AND 2012
Southern Missouri Bancorp, Inc.

	2014	2013	2012
NET INCOME	$10,081,101	$10,067,215	$10,098,263
Other comprehensive income:			
Unrealized gains (losses) on securities available-for-sale	822,111	(1,419,554)	327,640
Less: reclassification adjustment for realized gains included in net income	116,164	-	-
Unrealized gains (losses) on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income	291,224	15,957	(72,626)
Defined benefit pension plan net (loss) gain	(7,640)	5,426	3,622
Tax benefit (expense)	(454,915)	519,330	(94,355)
Total other comprehensive income (loss)	766,944	(878,841)	164,281
COMPREHENSIVE INCOME	$10,848,045	$9,188,374	$10,262,544

See accompanying notes to consolidated financial statements.

> CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY <
YEARS ENDED JUNE 30, 2014, 2013 AND 2012
Southern Missouri Bancorp, Inc.

	Preferred Stock	Common Stock	Warrants to Acquire Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE AS OF JUNE 30, 2011	$9,455,635	$29,572	$176,790	$16,274,545	$43,014,191	$(13,754,245)	$535,620	$55,732,108
Net Income					10,098,263			10,098,263
Change in unrealized gain on available for sale securities							160,659	160,659
Defined benefit pension plan net gain							3,622	3,622
Dividends paid on common stock ($.48 per share)					(1,283,928)			(1,283,928)
Dividends paid on preferred stock					(368,760)			(368,760)
Stock option expense				11,860				11,860
Stock grant expense				10,711				10,711
Tax benefit of stock grants				3,135				3,135
Treasury stock issued						13,700,155		13,700,155
Exercise of stock options				(4,930)		27,775		22,845

Redemption of preferred stock	(9,550,000)							(9,550,000)
Common stock issued		3,325		6,210,868				6,214,193
Preferred stock issued	20,000,000			(26,792)				19,973,208
Accretion of discount on preferred stock	94,365				(94,365)			-
BALANCE AS OF JUNE 30, 2012	$20,000,000	$32,897	$176,790	$22,479,397	$51,365,401	$(26,315)	$699,901	$94,728,071
Net Income					10,067,215			10,067,215
Change in unrealized gain on available for sale securities							(884,267)	(884,267)
Defined benefit pension plan net gain							5,426	5,426
Dividends paid on common stock ($.60 per share)					(1,974,924)			(1,974,924)
Dividends paid on preferred stock					(411,553)			(411,553)
Stock option expense				14,190				14,190
Stock grant expense				171,999				171,999
Tax benefit of stock grants				12,678				12,678
Treasury stock issued								-
Exercise of stock options		43		74,160		26,315		100,518
Redemption of preferred								-

stock								
Common wtock issued								-
Preferred stock issued								-
BALANCE AS OF JUNE 30, 2013	$20,000,000	$32,940	$176,790	$22,752,424	$59,046,139	$-	$(178,940)	$101,829,353
Net Income					10,081,101			10,081,101
Change in unrealized gain on available for sale securities							774,584	774,584
Defined benefit pension plan net (loss)							(7,640)	(7,640)
Dividends paid on common stock ($.64 per share)					(2,118,826)			(2,118,826)
Dividends paid on preferred stock					(200,000)			(200,000)
Stock option expense				13,109				13,109
Stock grant expense				172,000				172,000
Tax benefit of stock grants				43,137				43,137
Treasury stock issued								-
Exercise of stock options		344		523,568				523,912
Redemption of preferred stock								-
Common stock issued		120		(120)				-
Preferred stock issued								-

BALANCE AS OF JUNE 30, 2014	$20,000,000	$33,404	$176,790	$23,504,118	$66,808,414	$-	$588,004	$111,110,730

See accompanying notes to consolidated financial statements.

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> CONSOLIDATED STATEMENTS OF CASH FLOWS <
YEARS ENDED JUNE 30, 2014, 2013 AND 2012
Southern Missouri Bancorp, Inc.

	2014	2013	2012
Cash Flows From Operating Activities:			
NET INCOME	$10,081,101	$10,067,215	$10,098,263
Items not requiring (providing) cash:			
Depreciation	1,511,051	1,151,199	937,647
Loss on disposal of fixed assets	168	100,895	-
Stock option and stock grant expense	228,167	198,866	25,705
Loss (gain) on sale of foreclosed assets	31,500	69,346	(23,089)
Amortization of intangible assets	673,657	417,132	417,131
Amortization of purchase accounting adjustments on FHLB advances and subordinated debt	(5,628)	-	-
Increase in cash surrender value of bank owned life insurance	(539,926)	(509,543)	(343,031)
Provision for loan losses and off-balance sheet credit exposures	1,645,619	1,716,050	1,784,715
Gains realized on sale of AFS securities	(116,164)	-	-
Net amortization (accretion) of premiums and discounts on securities	1,046,978	607,562	389,958
Originations of loans held for sale	(9,402,903)	(7,669,380)	(8,345,902)
Proceeds from sales of loans held for sale	9,843,508	7,405,403	7,974,128
Gain on sales of loans held for sale	(503,027)	(302,538)	(315,674)
Changes in:			
Accrued interest receivable	249,645	(275,353)	105,591
Prepaid expenses and other assets	459,149	1,383,306	1,098,761
Accounts payable and other liabilities	(600,940)	762,306	(4,835,162)
Deferred income taxes	(607,717)	230,386	(1,409,145)
Accrued interest payable	(458,708)	(97,131)	(208,685)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,535,530	15,255,721	7,351,211
Cash flows from investing activities:			
Net increase in loans	(104,280,456)	(68,738,090)	(28,632,405)
Net change in interest-bearing deposits	-	293,000	(481,000)
Proceeds from maturities of available for sale securities	13,041,069	33,198,504	39,251,480
Proceeds from sales of available for sale securities	38,050,398	-	-
Net (purchases) redemptions of Federal Home Loan Bank stock	(2,254,200)	11,600	351,000
Net purchases of Federal Reserve Bank of Saint Louis stock	(419,300)	(3,400)	(282,300)
Purchases of available-for-sale securities	(16,780,386)	(40,087,044)	(51,186,068)
Purchases of premises and equipment	(5,680,891)	(7,556,825)	(4,227,182)
Purchases of bank owned life insurance	-	-	(7,500,000)
Net cash used in acquisitions	(5,584,946)	-	-
Investments in state & federal tax credits	(3,588,425)	(2,744,436)	(686,109)
Proceeds from sale of fixed assets	849,548	135,961	-
Proceeds from sale of foreclosed assets	943,770	2,177,725	783,889

NET CASH USED IN INVESTING ACTIVITIES	(85,703,819)	(83,313,005)	(52,608,695)
Cash flows from financing activities:			
Net increase in demand deposits and savings accounts	20,942,373	6,637,811	57,996,020
Net increase (decrease) in certificates of deposits	90,793	40,927,498	(33,333,213)
Net (decrease) increase in securities sold under agreements to repurchase	(3,326,781)	2,145,785	412,356
Proceeds from Federal Home Loan Bank advances	311,335,000	92,285,000	-
Repayments of Federal Home Loan Bank advances	(252,934,904)	(92,285,000)	(9,000,000)
Preferred stock issued	-	-	19,973,208
Redemption of preferred stock	-	-	(9,550,000)
Common stock issued	-	-	19,914,349
Exercise of stock options	523,992	100,518	22,845
Dividends paid on preferred stock	(200,000)	(411,553)	(368,760)
Dividends paid on common stock	(2,118,826)	(1,974,924)	(1,283,928)
NET CASH PROVIDED BY FINANCING ACTIVITIES	74,311,647	47,425,135	44,782,877
Increase (decrease) in cash and cash equivalents	2,143,358	(20,632,149)	(474,607)
Cash and cash equivalents at beginning of period	12,788,950	33,421,099	33,895,706
Cash and cash equivalents at end of period	$14,932,308	$12,788,950	$33,421,099
Supplemental disclosures of cash flow information:			
Noncash investing and financing activities:			
Conversion of loans to foreclosed real estate	$418,000	$3,690,950	$1,149,502
Conversion of foreclosed real estate to loans	337,500	68,400	651,550
Conversion of loans to repossessed assets	79,328	264,627	148,720
Cash paid during the period for:			
Interest (net of interest credited)	$2,997,745	$2,504,600	$2,862,935
Income taxes	3,513,000	2,736,084	6,946,830

See accompanying notes to consolidated financial statements.

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> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS <
Southern Missouri Bancorp, Inc.

NOTE 1: Organization and Summary of Significant Accounting Policies

Organization. Southern Missouri Bancorp, Inc., a Missouri corporation (the Company) was organized in 1994 and is the parent company of Southern Bank (the Bank). Substantially all of the Company's consolidated revenues are derived from the operations of the Bank, and the Bank represents substantially all of the Company's consolidated assets and liabilities.

The Bank is primarily engaged in providing a full range of banking and financial services to individuals and corporate customers in its market areas. The Bank and Company are subject to competition from other financial institutions. The Bank and Company are subject to the regulation of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Basis of Financial Statement Presentation. The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. In the normal course of business, the Company encounters two significant types of risk: economic and regulatory. Economic risk is comprised of interest rate risk, credit risk, and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities reprice on a different basis than its interest-earning assets. Credit risk is the risk of default on the Company's investment or loan portfolios resulting from the borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of the investment portfolio, collateral underlying loans receivable, and the value of the Company's investments in real estate.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, estimated fair values of purchased loans, other-than-temporary impairments (OTTI), and fair value of financial instruments.

Cash and Cash Equivalents. For purposes of reporting cash flows, cash and cash equivalents includes cash, due from depository institutions and interest-bearing deposits in other depository institutions with original maturities of three months or less. Interest-bearing deposits in other depository institutions were $8.6 million and $9.5 million at June 30, 2014 and 2013, respectively. The deposits are held in various commercial banks in amounts not exceeding the FDIC's deposit insurance limits, as well as at the Federal Reserve and the Federal Home Loan Bank of Des Moines.

Interest-bearing Time Deposits. Interest-bearing deposits in banks mature within three years and are carried at cost.

Available for Sale Securities. Available for sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses, net of tax, are reported in accumulated other comprehensive income, a component of stockholders' equity. All securities have been classified as available for sale.

Premiums and discounts on debt securities are amortized or accreted as adjustments to income over the estimated life of the security using the level yield method. Realized gains or losses on the sale of securities is based on the specific identification method. The fair value of securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The Company does not invest in collateralized mortgage obligations that are considered high risk.

When the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. As a result of this guidance, the Company's consolidated balance sheet for the dates presented reflects the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Federal Reserve Bank and Federal Home Loan Bank Stock. The Bank is a member of the Federal Reserve and the Federal Home Loan Bank (FHLB) systems. Capital stock of the Federal Reserve and the FHLB is a required investment based upon a predetermined formula and is carried at cost.

Loans. Loans are generally stated at unpaid principal balances, less the allowance for loan losses and net deferred loan origination fees.

Interest on loans is accrued based upon the principal amount outstanding. The accrual of interest on loans is discontinued when, in management's judgment, the collectability of interest or principal in the normal course of business is doubtful. The Company complies with regulatory guidance which indicates that loans should be placed in nonaccrual status when 90 days past due, unless the loan is both well-secured and in the process of collection. A loan that is "in the process of collection" may be subject to legal action or, in appropriate circumstances, through other collection efforts reasonably expected to result in repayment or restoration to current status in the near future. A loan is considered delinquent when a payment has not been made by the contractual due date. Interest income previously accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Cash receipts on a nonaccrual loan are applied to principal and interest in accordance with its contractual terms unless full payment of principal is not expected, in which case cash receipts, whether designated as principal or interest, are applied as a reduction of the carrying value of the loan. A nonaccrual loan is generally returned to accrual status when principal and interest payments are current, full collectability of principal and interest is reasonably assured, and a consistent record of performance has been demonstrated.

The allowance for losses on loans represents management's best estimate of losses probable in the existing loan portfolio. The allowance for losses on loans is increased by the provision for losses on loans charged to expense and reduced by loans charged off, net of recoveries. Loans are charged off in the period deemed uncollectible, based on management's analysis of expected cash flows (for non-collateral dependent loans) or collateral value (for collateral-dependent loans). Subsequent recoveries of loans previously charged off, if any, are credited to the allowance when received. The provision for losses on loans is determined based on management's assessment of several factors: reviews and evaluations of specific loans, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on specific borrowers and industry groups, historical loan loss experience, the level of classified and nonperforming loans, and the results of regulatory examinations.

Loans are considered impaired if, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Depending on a particular loan's circumstances, we measure impairment of a loan based upon either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral less estimated costs to sell if the loan is collateral dependent. Valuation allowances are established for collateral-dependent impaired loans for the difference between the loan amount and fair value of collateral less estimated selling costs. For impaired loans that are not collateral dependent, a valuation allowance is established for the difference between the loan amount and the present value of expected future cash flows discounted at the historical effective interest rate or the observable market price of the loan. Impairment losses are recognized through an increase in the required allowance for loan losses. Cash receipts on loans deemed impaired are recorded based on the loan's separate status as a nonaccrual loan or an accrual status loan.

Some loans are accounted for in accordance with ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. For these loans ("purchased credit impaired loans"), the Company recorded a fair value discount and began carrying them at book value less their face amount (see Note 4). For these loans, we determined the contractual amount and timing of undiscounted principal and interest payments (the "undiscounted contractual cash flows"), and estimated the amount and timing of undiscounted expected principal and interest payments, including expected prepayments (the "undiscounted expected cash flows"). Under acquired impaired loan accounting, the difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The nonaccretable difference is an estimate of the loss exposure of principal and interest related to the purchased credit impaired loans, and the amount is subject to change over time based on the performance of the loans. The carrying value of purchased credit impaired loans is initially determined as the discounted expected cash flows. The excess of expected cash flows at acquisition over the initial fair value of the purchased credit impaired loans is referred to as the "accretable yield" and is recorded as interest income over the estimated life of the acquired loans using the level-yield method, if the timing and amount of the future cash flows is reasonably estimable. The carrying value of purchased credit impaired loans is reduced by payments received, both principal and interest, and increased by the portion of the accretable yield recognized as interest income. Subsequent to acquisition, the Company evaluates the purchased credit impaired loans on a quarterly basis. Increases in expected cash flows compared to those previously estimated increase the accretable yield and are recognized as interest income prospectively. Decreases in expected cash flows compared to those previously estimated decrease the accretable yield and may result in the establishment of an allowance for loan losses and a provision for loan losses. Purchased credit impaired loans are generally considered accruing and performing loans, as the loans accrete interest income over the estimated life of the loan when expected cash flows are reasonably estimable. Accordingly, purchased credit impaired loans that are contractually past due are still considered to be accruing and performing as long as there is an expectation that the estimated cash flows will be received. If the timing and amount of cash flows is not reasonably estimable, the loans may be classified as nonaccrual loans.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

Foreclosed Real Estate. Real estate acquired by foreclosure or by deed in lieu of foreclosure is initially recorded at fair value less estimated selling costs. Costs for development and improvement of the property are capitalized.

Valuations are periodically performed by management, and an allowance for losses is established by a charge to operations if the carrying value of a property exceeds its estimated fair value, less estimated selling costs.

Loans to facilitate the sale of real estate acquired in foreclosure are discounted if made at less than market rates. Discounts are amortized over the fixed interest period of each loan using the interest method.

Premises and Equipment. Premises and equipment are stated at cost less accumulated depreciation and include expenditures for major betterments and renewals. Maintenance, repairs, and minor renewals are expensed as incurred. When property is retired or sold, the retired asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss taken into income. The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets.

Depreciation is computed by use of straight-line and accelerated methods over the estimated useful lives of the assets. Estimated lives are generally seven to forty years for premises, three to seven years for equipment, and three years for software.

Intangible Assets. The Company's intangible assets at June 30, 2014 included gross core deposit intangibles of $2.9 million with $875,000 accumulated amortization, gross other identifiable intangibles of $3.8 million with accumulated amortization of $3.5 million, and FHLB mortgage servicing rights of $38,000. At June 30, 2013, the Company's intangible assets included gross core deposit intangibles of $809,000 with $457,000 accumulated amortization, and gross other identifiable intangibles of $3.8 million with accumulated amortization of $3.3 million. The Company's core deposit and other intangible assets are being amortized using the straight line method, over periods ranging from five to fifteen years, with amortization expense expected to be approximately $795,000 in fiscal 2015, $525,000 in fiscal 2016, $411,000 in fiscal 2017, $411,000 in fiscal 2018, and $155,000 in fiscal 2019.

Goodwill. The Company's goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Income Taxes. The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to the management’s judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiary.

Incentive Plan. The Company accounts for its Management and Recognition Plan (MRP) and Equity Incentive Plan (EIP) in accordance with ASC 718, “Share-Based Payment.” Compensation expense is based on the market price of the Company’s stock on the date the shares are granted and is recorded over the vesting period. The difference between the aggregate purchase price and the fair value on the date the shares are considered earned represents a tax benefit to the Company that is recorded as an adjustment to additional paid in capital.

Outside Directors’ Retirement. The Bank adopted a directors’ retirement plan in April 1994 for outside directors. The directors’ retirement plan provides that each non-employee director (participant) shall receive, upon termination of service on the Board on or after age 60, other than termination for cause, a benefit in equal annual installments over a five year period. The benefit will be based upon the product of the participant’s vesting percentage and the total Board fees paid to the participant during the calendar year preceding termination of service on the Board. The vesting percentage shall be determined based upon the participant’s years of service on the Board, whether before or after the reorganization date.

In the event that the participant dies before collecting any or all of the benefits, the Bank shall pay the participant’s beneficiary. No benefits shall be payable to anyone other than the beneficiary, and shall terminate on the death of the beneficiary.

Stock Options. Compensation cost is measured based on the grant-date fair value of the equity instruments issued, and recognized over the vesting period during which an employee provides service in exchange for the award.

Earnings Per Share. Basic earnings per share available to common stockholders is computed using the weighted-average number of common shares outstanding. Diluted earnings per share available to common stockholders includes the effect of all weighted-average dilutive potential common shares (stock options and warrants) outstanding during each year.

Comprehensive Income. Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities, unrealized appreciation (depreciation) on available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income, and changes in the funded status of defined benefit pension plans.

Treasury Stock. Treasury stock is stated at cost. Cost is determined by the first-in, first-out method.

Reclassification. Certain amounts included in the 2013 and 2012 consolidated financial statements have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on net income.

The following paragraphs summarize the impact of new accounting pronouncements:

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-14, "Troubled Debt Restructurings by Creditors," to address the classification of certain foreclosed mortgage loans held by creditors that are either fully or partially guaranteed under government programs (e.g., FHA, VA, HUD). The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company is reviewing the ASU, but does not expect adoption will result in a significant effect on the Company's consolidated financial statements.

In January 2014, the FASB issued Accounting Standards Update (ASU) 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure," to reduce diversity by clarifying when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

In January 2014, the FASB issued ASU 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects," to permit entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The ASU modifies the conditions that an entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company is reviewing the ASU, but does not expect adoption will result in a significant effect on the Company's consolidated financial statements.

NOTE 2: Available-for-Sale Securities

The amortized cost, gross unrealized gains, gross unrealized losses and approximate fair value of securities available for sale consisted of the following:

	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt and equity securities:				
U.S. government and Federal agency obligations	$24,606,970	$21,463	$(554,419)	$24,074,014
Obligations of states and political subdivisions	43,632,048	1,855,840	(131,444)	45,356,444
Other securities	3,294,235	264,114	(917,623)	2,640,726
TOTAL DEBT AND EQUITY SECURITIES	71,533,253	2,141,417	(1,603,486)	72,071,184
Mortgage-backed securities:				
FHLMC certificates	14,008,424	197,804	(17,223)	14,189,005
GNMA certificates	4,227,589	24,766	(4,206)	4,248,149
FNMA certificates	26,470,063	313,576	-	26,783,639
CMOs issues by government agencies	13,074,321	41,072	(185,188)	12,930,205
TOTAL MORTGAGE-BACKED SECURITIES	57,780,397	577,218	(206,617)	58,150,998
TOTAL	$129,313,650	$2,718,635	$(1,810,103)	$130,222,182

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt and equity securities:				
U.S. government and Federal agency obligations	$22,972,073	$2,590	$(566,778)	$22,407,885
Obligations of states and political subdivisions	38,135,005	1,432,739	(244,437)	39,323,307
Other securities	2,638,303	37,328	(1,116,652)	1,558,979
TOTAL DEBT AND EQUITY SECURITIES	63,745,381	1,472,657	(1,927,867)	63,290,171
Mortgage-backed securities:				
FHLMC certificates	3,404,901	136,052	(31,499)	3,509,454
GNMA certificates	69,895	1,895	-	71,790
FNMA certificates	2,700,570	145,206	-	2,845,776
CMOs issues by government agencies	10,404,445	59,985	(177,395)	10,287,035
TOTAL MORTGAGE-BACKED SECURITIES	16,579,811	343,138	(208,894)	16,714,055

TOTAL	$80,325,192	$1,815,795	$(2,136,761)	$80,004,226

The amortized cost and fair value of available-for-sale securities, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2014	
	Amortized Cost	Estimated Fair Value
Available for Sale:		
Within one year	$956,174	$958,079
After one year but less than five years	20,223,032	20,124,579
After five years but less than ten years	22,817,853	23,043,967
After ten years	27,536,194	27,944,560
Total investment securities	71,533,253	72,071,185
Mortgage-backed securities	57,780,397	58,150,997
Total investments and mortgage-backed securities	$129,313,650	$130,222,182

The carrying value of investment and mortgage-backed securities pledged as collateral to secure public deposits and securities sold under agreements to repurchase amounted to $81.9 million and $61.7 million at June 30, 2014 and 2013, respectively.

A gain of $116,164 was recognized from sales of available-for-sale securities in 2014. There were no sales in 2013 or 2012.

With the exception of U.S. government agencies and corporations, the Company did not hold any securities of a single issuer, payable from and secured by the same source of revenue or taxing authority, the book value of which exceeded 10% of stockholders' equity at June 30, 2014.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2014, was $39.5 million, which is approximately 30.3% of the Company's available for sale investment portfolio, as compared to $37.4 million or approximately 46.8% of the Company's available for sale investment portfolio at June 30, 2013. Except as discussed below, management believes the declines in fair value for these securities to be temporary.

The tables below show our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2014 and 2013.

	Less than 12 months		More than 12 months		Total	
For the year ended June 30, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises (GSEs)	$2,676,283	$ 26,022	$18,451,364	$528,397	$21,127,647	$554,419
Obligations of state and political subdivisions	1,863,035	2,759	4,937,657	128,685	6,800,692	131,444
Other securities	476,376	2,246	531,699	915,377	1,008,075	917,623
Mortgage-backed securities	8,882,124	77,086	1,649,304	129,531	10,531,428	206,617
Total investments and mortgage-backed securities	$13,897,818	$ 108,113	$25,570,024	$1,701,990	$39,467,842	$1,810,103

	Less than 12 months		More than 12 months		Total	
For the year ended June 30, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises (GSEs)	$20,397,826	$ 566,778	$-	$-	$20,397,826	$566,778
Obligations of state and political subdivisions	8,588,542	173,966	2,525,673	70,471	11,114,215	244,437
Other securities	-	-	445,777	1,116,652	445,777	1,116,652
Mortgage-backed securities	3,052,113	206,713	2,403,467	2,181	5,455,580	208,894
Total investments and mortgage-backed securities	$32,038,481	$ 947,457	$5,374,917	$1,189,304	$37,413,398	$2,136,761

The unrealized losses on the Company's investments in U.S. government-sponsored enterprises, mortgage-backed securities, and obligations of state and political subdivisions were caused by increases in market interest rates. The contractual terms of these instruments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2014.

Other securities. At June 30, 2014, there were four pooled trust preferred securities with an estimated fair value of $532,000 and unrealized losses of $915,000 in a continuous unrealized loss position for twelve months or more. These unrealized losses were primarily due to the long-term nature of the pooled trust preferred securities, a lack of demand or inactive market for these securities, and concerns regarding the financial institutions that have issued the underlying trust preferred securities. Rules adopted by the federal banking agencies in December 2013 to implement Section 619 of the Dodd-Frank Act (the “Volcker Rule”) generally prohibit banking entities from engaging in proprietary trading and from investing in, sponsoring, or having certain relationships with a hedge fund or private equity fund. The pooled trust preferred securities owned by the Company were included in a January 2014 listing of securities which the agencies considered to be grandfathered with regard to these prohibitions; as such, banking entities are permitted to retain their interest in these securities, provided the interest was acquired on or before December 10, 2013, unless acquired pursuant to a merger or acquisition.

The June 30, 2014, cash flow analysis for three of these securities indicated it is probable the Company will receive all contracted principal and related interest projected. The cash flow analysis used in making this determination was based on anticipated default, recovery, and prepayment rates, and the resulting cash flows were discounted based on the yield anticipated at the time the securities were purchased. Other inputs include the actual collateral attributes, which include credit ratings and other performance indicators of the underlying financial institutions, including profitability, capital ratios, and asset quality. Assumptions for these three securities included annualized prepayments of 1%, no recoveries on issuers currently in default, recoveries of 38 to 100 percent on currently deferred issuers within the next two years, new defaults of 2% annually for the next two years, annual defaults of 36 basis points, annually, thereafter, and recoveries of 10% on new defaults.

One of these three securities has continued to receive cash interest payments in full since the Company's purchase, and our cash flow analysis indicates that these payments are likely to continue. A second of the three securities received principal-in-kind (PIK), in lieu of cash interest for a period of time following the recession and financial crisis that began in 2008, but resumed cash interest payments in fiscal 2014. And the last of the three securities continues to receive PIK. These securities all allow, under the terms of the issue, for issuers to defer interest for up to five consecutive years. After five years, if not cured, the securities are considered to be in default and the trustee may demand payment in full of principal and accrued interest. Issuers are also considered to be in default in the event of the failure of the issuer or a subsidiary. Both deferred and defaulted issuers are considered non-performing, and the trustee calculates, on a quarterly or semi-annual basis, certain coverage tests prior to the payment of cash interest to owners of the various tranches of the securities. The tests must show that performing collateral is sufficient to meet requirements for senior tranches, both in terms of cash flow and collateral value, before cash interest can be paid to subordinate tranches. If the tests are not met, available cash flow is diverted to pay down the principal balance of senior tranches until the coverage tests are met, before cash interest payments to subordinate tranches may resume. The Company is receiving PIK for this security due to failure of the required coverage tests described above at senior tranche levels of the security. The risk to holders of a tranche of a security in PIK status is that the pool's total cash flow will not be sufficient to repay all principal and accrued interest related to the investment. The impact of payment of PIK to subordinate tranches is to strengthen the position of senior tranches, by reducing the senior tranches' principal balances relative to available collateral and cash flow, while increasing principal balances, decreasing cash flow, and increasing credit risk to the tranches receiving PIK. For our security which remains in receipt of PIK, the principal balance is increasing, cash flow has stopped, and, as a result, credit risk is increasing. The Company expects this security to remain in PIK status for a period of five years. Despite these facts, because the Company does not intend to sell these any of the three securities, and because it is not more-likely-than-not that the Company will be required to sell these securities prior to recovery of their amortized cost bases, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2014.

At December 31, 2008, analysis of the fourth pooled trust preferred security indicated other-than-temporary impairment (OTTI) and the Company performed further analysis to determine the portion of the loss that was related to credit conditions of the underlying issuers. The credit loss was calculated by comparing expected discounted cash flows based on performance indicators of the underlying assets in the security to the carrying value of the investment. The discounted cash flow was based on anticipated default and recovery rates, and resulting projected cash flows were discounted based on the yield anticipated at the time the security was purchased. Based on this analysis, the Company recorded an impairment charge of $375,000 for the credit portion of the unrealized loss for this trust preferred security. This loss established a new, lower amortized cost basis of $125,000 for this security, and reduced non-interest income for the second quarter and the twelve months ended June 30, 2009. At June 30, 2014, cash flow analyses showed it is probable the Company will receive all of the remaining cost basis and related interest projected for the security. The cash flow analysis used in making this determination was based similar inputs and factors as those described above. Assumptions for this security included annualized prepayments of 1%, no recoveries on issuers currently in default, recoveries of 58% on currently deferred issuers within the next two years, new defaults of 2% annually for the next two years, annual defaults of 36 basis points, annually, thereafter, and recoveries of 10% on new defaults. This security was in PIK status for a period of time following the recession and financial crisis that began in 2008, but resumed cash interest payments in fiscal 2014. Because the Company does not intend to sell this security and it is not more-likely-than-not the Company will be required to sell this security before recovery of its new, lower amortized cost basis, which may be maturity, the Company does not consider the remainder of the investment in this security to be other-than-temporarily impaired at June 30, 2014.

The Company does not believe any other individual unrealized loss as of June 30, 2014, represents OTTI. However, given the recent disruption in the financial markets, the Company may be required to recognize OTTI losses in future periods with respect to its available for sale investment securities portfolio. The amount and timing of any additional OTTI will depend on the decline in the underlying cash flows of the securities. 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 recognized in the period the other-than-temporary impairment is identified.

Credit Losses Recognized on Investments. As described above, some of the Company's investments in trust preferred securities have experienced fair value deterioration due to credit losses, but are not otherwise other-than-temporarily impaired. During fiscal 2009, the Company adopted ASC 820, formerly FASB Staff Position 157-4, "Determining Fair Value when the Volume and Level of Activity For the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." The following table provides information about the trust preferred security for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income (loss) for the years ended June 30, 2014 and 2013.

	Accumulated Credit Losses Period Ended June 30,	
	2014	2013
Credit losses on debt securities held		
Beginning of period	$375,000	$375,000
Additions related to OTTI losses not previously recognized	-	-
Reductions due to sales	-	-
Reductions due to change in intent or likelihood of sale	-	-
Additions related to increases in previously-recognized OTTI losses	-	-
Reductions due to increases in expected cash flows	-	-
End of period	$375,000	$375,000

NOTE 3: Loans and Allowance for Loan Losses

Classes of loans are summarized as follows:

	June 30, 2014	June 30, 2013
Real Estate Loans:		
Residential	$303,901,437	$233,888,442
Construction	40,738,026	30,724,858
Commercial	308,519,993	242,303,922
Consumer loans	35,222,764	28,414,878
Commercial loans	141,072,426	130,868,484
	829,454,646	666,200,584
Loans in process	(19,261,151)	(10,792,041)
Deferred loan fees, net	121,775	143,336
Allowance for loan losses	(9,259,297)	(8,385,980)
Total loans	$801,055,973	$647,165,899

The Company's lending activities consist of origination of loans secured by mortgages on one- to four-family residences and commercial and agricultural real estate, construction loans on residential and commercial properties, commercial and agricultural business loans and consumer loans. The Company has also occasionally purchased loan participation interests originated by other lenders and secured by properties generally located in the states of Missouri and Arkansas.

Residential Mortgage Lending. The Company actively originates loans for the acquisition or refinance of one- to four-family residences. This category includes both fixed-rate and adjustable-rate mortgage ("ARM") loans amortizing over periods of up to 30 years, and the properties securing such loans may be owner-occupied or non-owner-occupied. Single-family residential loans do not generally exceed 90% of the lower of the appraised value or purchase price of the secured property. Substantially all of the one- to four-family residential mortgage originations in the Company's portfolio are located within the Company's primary lending area.

The Company also originates loans secured by multi-family residential properties that are often located outside the Company's primary lending area but made to borrowers who operate within the primary market area. The majority of the multi-family residential loans that are originated by the Bank are amortized over periods generally up to 25 years, with balloon maturities typically up to ten years. Both fixed and adjustable interest rates are offered and it is typical for the Company to include an interest rate "floor" and "ceiling" in the loan agreement. Generally, multi-family residential loans do not exceed 85% of the lower of the appraised value or purchase price of the secured property.

Commercial Real Estate Lending. The Company actively originates loans secured by commercial real estate including land (improved, unimproved, and farmland), strip shopping centers, retail establishments and other businesses. These properties are typically owned and operated by borrowers headquartered within the Company's primary lending area, however, the property may be located outside our primary lending area. Approximately $74.8 million of our $308.5 million in commercial real estate loans are secured by properties located outside our primary lending area.

Most commercial real estate loans originated by the Company generally are based on amortization schedules of up to 20 years with monthly principal and interest payments. Generally, the interest rate received on these loans is fixed for a maturity for up to five years, with a balloon payment due at maturity. Alternatively, for some loans, the interest rate adjusts at least annually after an initial period up to five years. The Company typically includes an interest rate “floor” in the loan agreement. Generally, improved commercial real estate loan amounts do not exceed 80% of the lower of the appraised value or the purchase price of the secured property. Agricultural real estate terms offered differ slightly, with amortization schedules of up to 25 years with an 80% loan-to-value ratio, or 30 years with a 75% loan-to-value ratio.

Construction Lending. The Company originates real estate loans secured by property or land that is under construction or development. Construction loans originated by the Company are generally secured by mortgage loans for the construction of owner occupied residential real estate or to finance speculative construction secured by residential real estate, land development, or owner-operated or non-owner occupied commercial real estate. During construction, these loans typically require monthly interest-only payments and have maturities ranging from six to twelve months. Once construction is completed, permanent construction loans may be converted to monthly payments using amortization schedules of up to 30 years on residential and generally up to 20 years on commercial real estate.

While the Company typically utilizes maturity periods ranging from 6 to 12 months to closely monitor the inherent risks associated with construction loans for these loans, weather conditions, change orders, availability of materials and/or labor, and other factors may contribute to the lengthening of a project, thus necessitating the need to renew the construction loan at the balloon maturity. Such extensions are typically executed in incremental three month periods to facilitate project completion. The Company’s average term of construction loans is approximately eight months. During construction, loans typically require monthly interest only payments which may allow the Company an opportunity to monitor for early signs of financial difficulty should the borrower fail to make a required monthly payment. Additionally, during the construction phase, the Company typically obtains interim inspections completed by an independent third party. This monitoring further allows the Company opportunity to assess risk. At June 30, 2014, construction loans outstanding included 31 loans, totaling $13.1 million, for which a modification had been agreed to; At June 30, 2013, construction loans outstanding included 29 loans, totaling $6.9 million, for which a modification had been agreed to. All modifications were solely for the purpose of extending the maturity date due to conditions described above. None of these modifications were executed due to financial difficulty on the part of the borrower and, therefore, were not accounted for as TDRs.

Consumer Lending. The Company offers a variety of secured consumer loans, including home equity, direct and indirect automobile loans, second mortgages, mobile home loans and loans secured by deposits. The Company originates substantially all of its consumer loans in its primary lending area. Usually, consumer loans are originated with fixed rates for terms of up to five years, with the exception of home equity lines of credit, which are variable, tied to the prime rate of interest and are for a period of ten years.

Home equity lines of credit (HELOCs) are secured with a deed of trust and are issued up to 100% of the appraised or assessed value of the property securing the line of credit, less the outstanding balance on the first mortgage and are typically issued for a term of ten years. Interest rates on the HELOCs are generally adjustable. Interest rates are based upon the loan-to-value ratio of the property with better rates given to borrowers with more equity.

Automobile loans originated by the Company include both direct loans and a smaller amount of loans originated by auto dealers. The Company generally pays a negotiated fee back to the dealer for indirect loans. Typically, automobile loans are made for terms of up to 60 months for new and used vehicles. Loans secured by automobiles have fixed rates and are generally made in amounts up to 100% of the purchase price of the vehicle.

Commercial Business Lending. The Company's commercial business lending activities encompass loans with a variety of purposes and security, including loans to finance accounts receivable, inventory, equipment and operating lines of credit, including agricultural production and equipment loans. The Company offers both fixed and adjustable rate commercial business loans. Generally, commercial loans secured by fixed assets are amortized over periods up to five years, while commercial operating lines of credit or agricultural production lines are generally for a one year period.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans (excluding loans in process and deferred loan fees) based on portfolio segment and impairment methods as of June 30, 2014 and 2013, and activity in the allowance for loan losses for the fiscal years ended June 30, 2014, 2013, and 2012.

June 30, 2014	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Consumer	Commercial	Total
Allowance for loan losses:						
Balance, beginning of period	$1,809,975	$272,662	$3,602,542	$471,666	$2,229,135	$8,385,980
Provision charged to expense	804,560	82,817	635,193	88,579	34,470	1,645,619
Losses charged off	(168,912)	-	(95,623)	(58,695)	(578,537)	(901,767)
Recoveries	15,892	-	960	17,526	95,087	129,465
Balance, end of period	$2,461,515	$355,479	$4,143,072	$519,076	$1,780,155	$9,259,297
Ending Balance: individually evaluated for impairment	$-	$-	$-	$-	$-	$-
Ending Balance: collectively evaluated for impairment	$2,461,515	$355,479	$4,143,072	$519,076	$1,780,155	$9,259,297
Ending Balance: loans acquired with deteriorated credit quality	$-	$-	$-	$-	$-	$-
Loans:						
Ending Balance: individually evaluated for impairment	$-	$-	$-	$-	$-	$-
Ending Balance: collectively evaluated for impairment	$302,111,542	$21,476,875	$307,253,137	$35,222,764	$140,956,945	$807,021,263
Ending Balance: loans acquired with deteriorated credit quality	$1,789,895	$-	$1,266,856	$-	$115,481	$3,172,232

June 30, 2013	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Consumer	Commercial	Total

Allowance for loan losses:						
Balance, beginning of period	$1,635,346	$243,169	$2,985,838	$483,597	$2,144,104	$7,492,054
Provision charged to expense	472,183	64,481	1,033,791	19,437	126,158	1,716,050
Losses charged off	(301,836)	(35,351)	(422,071)	(47,106)	(49,431)	(855,795)
Recoveries	4,282	363	4,984	15,738	8,304	33,671
Balance, end of period	$1,809,975	$272,662	$3,602,542	$471,666	$2,229,135	$8,385,980
Ending Balance: individually evaluated for impairment	$-	$-	$85,000	$-	$-	$85,000
Ending Balance: collectively evaluated for impairment	$1,809,975	$272,662	$3,517,542	$471,666	$1,671,646	$7,743,491
Ending Balance: loans acquired with deteriorated credit quality	$-	$-	$-	$-	$557,489	$557,489
Loans:						
Ending Balance: individually evaluated for impairment	$-	$-	$144,328	$-	$-	$144,328
Ending Balance: collectively evaluated for impairment	$232,186,722	$19,932,817	$240,888,891	$28,414,878	$129,735,511	$651,158,819
Ending Balance: loans acquired with deteriorated credit quality	$1,701,720	$-	$1,270,703	$-	$1,132,973	$4,105,396

June 30, 2012	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Consumer	Commercial	Total
Allowance for loan losses:						
Balance, beginning of period	$1,618,285	$192,752	$2,671,482	$441,207	$1,514,725	$6,438,451
Provision charged to expense	108,318	49,276	354,814	223,046	1,049,261	1,784,715
Losses charged off	(98,189)	-	(40,888)	(195,311)	(435,770)	(770,158)
Recoveries	6,932	1,141	430	14,655	15,888	39,046
Balance, end of period	$1,635,346	$243,169	$2,985,838	$483,597	$2,144,104	$7,492,054

Management's opinion as to the ultimate collectability of loans is subject to estimates regarding future cash flows from operations and the value of property, real and personal, pledged as collateral. These estimates are affected by changing economic conditions and the economic prospects of borrowers.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to cover probable credit losses inherent in the loan portfolio at the balance sheet date. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when an amount is determined to be uncollectible, based on management's analysis of expected cash flow (for non-collateral dependent loans) or collateral value (for collateral-dependent loans). Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

Under the Company's allowance methodology, loans are first segmented into 1) those comprising large groups of smaller-balance homogeneous loans, including single-family mortgages and installment loans, which are collectively evaluated for impairment, and 2) all other loans which are individually evaluated. Those loans in the second category are further segmented utilizing a defined grading system which involves categorizing loans by severity of risk based on conditions that may affect the ability of the borrowers to repay their debt, such as current financial information, collateral valuations, historical payment experience, credit documentation, public information, and current trends. The loans subject to credit classification represent the portion of the portfolio subject to the greatest credit risk and where adjustments to the allowance for losses on loans as a result of provisions and charge offs are most likely to have a significant impact on operations.

A periodic review of selected credits (based on loan size and type) is conducted to identify loans with heightened risk or probable losses and to assign risk grades. The primary responsibility for this review rests with loan administration personnel. This review is supplemented with periodic examinations of both selected credits and the credit review process by the Company's internal audit function and applicable regulatory agencies. The information from these reviews assists management in the timely identification of problems and potential problems and provides a basis for deciding whether the credit represents a probable loss or risk that should be recognized.

During fiscal 2011, the Company changed its allowance methodology to consider, as the primary quantitative factor, average net charge offs over the most recent twelve-month period. The Company had previously considered average net charge offs over the most recent five-year period as the primary quantitative factor. The impact of the modification was minimal.

A loan is considered impaired when, based on current information and events, it is probable that the scheduled payments of principal or interest will not be able to be collected when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays 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. Impairment is measured on a loan-by-loan basis for commercial and agricultural loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, individual consumer and residential loans are not separately identified for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

The general component covers non-classified loans and is based on historical charge-off experience and expected loss given the internal risk rating process. The loan portfolio is stratified into homogeneous groups of loans that possess similar loss characteristics and an appropriate loss ratio adjusted for other qualitative factors is applied to the homogeneous pools of loans to estimate the incurred losses in the loan portfolio.

Included in the Company's loan portfolio are certain loans accounted for in accordance with ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality. These loans were written down at acquisition to an amount estimated to be collectible. As a result, certain ratios regarding the Company's loan portfolio and credit quality cannot be used to compare the Company to peer companies or to compare the Company's current credit quality to prior periods. The ratios particularly affected by accounting under ASC 310-30 include the allowance for loan losses as a percentage of loans, nonaccrual loans, and nonperforming assets, and nonaccrual loans and nonperforming loans as a percentage of total loans.

The following tables present the credit risk profile of the Company's loan portfolio (excluding loans in process and deferred loan fees) based on rating category and payment activity as of June 30, 2014 and 2013. These tables include purchased credit impaired loans, which are reported according to risk categorization after acquisition based on the Company's standards for such classification:

June 30, 2014	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Consumer	Commercial
Pass	$300,926,521	$21,476,875	$303,853,508	$35,045,989	$140,138,328
Watch	300,934	-	1,013,682	39,548	362,380
Special Mention	-	-	-	-	-
Substandard	2,673,982	-	3,652,803	137,227	571,718
Doubtful	-	-	-	-	-
Total	$303,901,437	$21,476,875	$308,519,993	$35,222,764	$141,072,426

June 30, 2013	Residential Real Estate	Construction Real Estate	Commercial Real Estate	Consumer	Commercial
Pass	$231,230,256	$19,932,817	$237,131,788	$28,252,411	$129,782,625
Watch	1,881,836	-	1,594,368	41,463	55,858
Special Mention	-	-	-	-	-
Substandard	776,350	-	3,577,766	121,004	1,030,001
Doubtful	-	-	-	-	-
Total	$233,888,442	$19,932,817	$242,303,922	$28,414,878	$130,868,484

The above amounts include purchased credit impaired loans. At June 30, 2014, these loans comprised $409,000 of credits rated "Pass"; none rated "Watch" or "Special Mention", $2.7 million of credits rated "Substandard" and none rated "Doubtful". At June 30, 2013, these loans comprised $648,000 million of credits rated "Pass"; $1.7 million of credits rated "Watch"; none rated "Special Mention"; $1.8 million of credits rated "Substandard"; and none rated "Doubtful".

Credit Quality Indicators. The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on all loans at origination, and is updated on a quarterly basis for loans risk rated Special Mention, Substandard, or Doubtful. In addition, lending relationships over $250,000 are subject to an independent loan review following origination, and lending relationships in excess of $1,000,000 are subject to an independent loan review annually, in order to verify risk ratings. The Company uses the following definitions for risk ratings:

Watch – Loans classified as watch exhibit weaknesses that require more than usual monitoring. Issues may include deteriorating financial condition, payments made after due date but within 30 days, adverse industry conditions or management problems.

Special Mention – Loans classified as special mention exhibit signs of further deterioration but still generally make payments within 30 days. This is a transitional rating and loans should typically not be rated Special Mention for more than 12 months.

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Substandard – Loans classified as substandard possess weaknesses that jeopardize the ultimate collection of the principal and interest outstanding. These loans exhibit continued financial losses, ongoing delinquency, overall poor financial condition, and insufficient collateral. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses of substandard loans, and have deteriorated to the level that there is a high probability of substantial loss.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be Pass rated loans.

The following tables present the Company's loan portfolio aging analysis (excluding loans in process and deferred loan fees) as of June 30, 2014 and 2013. These tables include purchased credit impaired loans, which are reported according to aging analysis after acquisition based on the Company's standards for such classification:

June 30, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Real Estate Loans:							
Residential	$1,118,637	$50,980	$450,988	$1,620,605	$302,280,832	$303,901,437	$105,744
Construction	65,000	-	-	65,000	21,411,875	21,476,875	-
Commercial	1,025,249	-	17,563	1,042,812	307,477,181	308,519,993	17,563
Consumer loans	204,552	30,475	34,070	269,097	34,953,667	35,222,764	6,444
Commercial loans	100,991	430,970	347,020	878,981	140,193,445	141,072,426	-
Total loans	$2,514,429	$512,425	$849,641	$3,876,495	$806,317,000	$810,193,495	$129,751

June 30, 2013	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Real Estate Loans:							
Residential	$369,898	$66,213	$102,498	$538,609	$233,349,833	$233,888,442	$-
Construction	-	-	-	-	19,932,817	19,932,817	-
Commercial	-	-	225,099	225,099	242,078,823	242,303,922	-
Consumer loans	239,323	42,924	12,275	294,522	28,120,356	28,414,878	-
Commercial loans	63,394	-	18,266	81,660	130,786,824	130,868,484	-
Total loans	$672,615	$109,137	$358,138	$1,139,890	$654,268,653	$655,408,543	$-

At June 30, 2014, and June 30, 2013, there were no purchased credit impaired loans that were past due.

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

The following tables present impaired loans (excluding loans in process and deferred loan fees) as of June 30, 2014 and 2013. These tables include purchased credit impaired loans. Purchased credit impaired loans are those for which it was deemed probable, at acquisition, that the Company would be unable to collect all contractually required payments receivable. In an instance where, subsequent to the acquisition, the Company determines it is probable, for a specific loan, that cash flows received will exceed the amount previously expected, the Company will recalculate the amount of accretable yield in order to recognize the improved cash flow expectation as additional interest income over the remaining life of the loan. These loans, however, will continue to be reported as impaired loans. In an instance where, subsequent to the acquisition, the Company determines it is probable that, for a specific loan, that cash flows received will be less than the amount previously expected, the Company will allocate a specific allowance under the terms of ASC 310-10-35.

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June 30, 2014	Recorded Balance	Unpaid Principal Balance	Specific Allowance
Loans without a specific valuation allowance:			
Residential real estate	$1,789,895	$2,068,408	$-
Construction real estate	-	-	-
Commercial real estate	3,382,647	3,391,440	-
Consumer loans	-	-	-
Commercial loans	115,481	115,481	-
Loans with a specific valuation allowance:			
Residential real estate	$-	$-	$-
Construction real estate	-	-	-
Commercial real estate	-	-	-
Consumer loans	-	-	-
Commercial loans	-	-	-
Total:			
Residential real estate	$1,789,895	$2,068,408	$-
Construction real estate	$-	$-	$-
Commercial real estate	$3,382,647	$3,391,440	$-
Consumer loans	$-	$-	$-
Commercial loans	$115,481	$115,481	$-

June 30, 2013	Recorded Balance	Unpaid Principal Balance	Specific Allowance
Loans without a specific valuation allowance:			
Residential real estate	$1,701,720	$2,096,135	$-
Construction real estate	-	-	-
Commercial real estate	3,115,324	3,167,982	-
Consumer loans	-	-	-
Commercial loans	387,167	391,759	-
Loans with a specific valuation allowance:			
Residential real estate	$-	$-	$-
Construction real estate	-	-	-
Commercial real estate	144,328	144,328	85,000
Consumer loans	-	-	-
Commercial loans	755,883	1,325,760	557,489
Total:			
Residential real estate	$1,701,720	$2,096,135	$-
Construction real estate	$-	$-	$-
Commercial real estate	$3,259,652	$3,312,310	$85,000
Consumer loans	$-	$-	$-
Commercial loans	$1,143,050	$1,717,519	$557,489

The above amounts include purchased credit impaired loans. At June 30, 2014, these loans comprised of $3.2 million of impaired loans without a specific valuation allowance; none with a specific valuation allowance, and $3.2 million of total impaired loans. At June 30, 2013, these loans comprised $3.3 million of impaired loans without a specific valuation allowance; $756,000 of impaired loans with a specific valuation allowance, and $4.1 million of total impaired loans. The following tables present information regarding interest income recognized on impaired loans:

	Fiscal 2014 (in thousands)	
	Average Investment in Impaired Loans	Interest Income Recognized
Residential Real Estate	$ 1,742	$ 197
Construction Real Estate	-	-
Commercial Real Estate	1,306	131
Consumer Loans	-	-
Commercial Loans	654	1
Total Loans	$ 3,702	$ 329

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	Fiscal 2013 (in thousands)	
	Average Investment in Impaired Loans	Interest Income Recognized
Residential Real Estate	$ 1,629	$ 375
Construction Real Estate	-	-
Commercial Real Estate	2,069	254
Consumer Loans	-	-
Commercial Loans	1,273	91
Total Loans	$ 4,971	$ 720

	Fiscal 2012 (in thousands)	
	Average Investment in Impaired Loans	Interest Income Recognized
Residential Real Estate	$ 1,667	$ 311
Construction Real Estate	-	-
Commercial Real Estate	2,949	638
Consumer Loans	-	-
Commercial Loans	2,155	1,265
Total Loans	$ 6,771	$ 2,214

Interest income on impaired loans recognized on a cash basis in the fiscal years ended June 30, 2014, 2013, and 2012 was immaterial.

For the fiscal years ended June 30, 2014, 2013, and 2012, the amount of interest income recorded for impaired loans that represents a change in the present value of future cash flows attributable to the passage of time was approximately $164,000, $391,000, and $1.4 million, respectively.

The following table presents the Company's nonaccrual loans at June 30, 2014 and 2013. This table includes purchased credit impaired loans. Purchased credit impaired loans are placed on nonaccrual status in the event the Company cannot reasonably estimate cash flows expected to be collected. The table excludes performing troubled debt restructurings.

	June 30. 2014	June 30, 2013
Residential real estate	$ 444,608	$ 413,924
Construction real estate	-	-
Commercial real estate	672,661	156,856
Consumer loans	58,057	24,699
Commercial loans	90,724	841,924
Total loans	$ 1,266,050	$ 1,437,403

The above amounts include purchased credit impaired loans. At June 30, 2014 and 2013, these loans comprised $0 and $756,000 of nonaccrual loans, respectively.

Included in certain loan categories in the impaired loans are troubled debt restructurings (TDRs), where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities, and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

When loans and leases are modified into a TDR, the Company evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan or lease agreement, and uses the current fair value of the collateral, less selling costs, for collateral dependent loans. If the Company determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, the Company evaluates all TDRs, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

At June 30, 2014, and June 30, 2013, the Company had $3.1 million and $2.9 million, respectively, of commercial real estate loans, $1.8 million and $1.7 million, respectively, of residential real estate loans, and $125,000 and $363,000, respectively, of commercial loans that were modified in TDRs and impaired. All loans classified as TDRs at June 30, 2014, and June 30, 2013, were so classified due to interest rate concessions. During the previous twelve months, two commercial real estate loans totaling $329,000, five commercial loans totaling $179,000, and one residential real estate loan totaling $38,000 were modified as TDRs and had payment defaults subsequent to the modification. When loans modified as TDRs have subsequent payment defaults, the defaults are factored into the determination of the allowance for loan losses to ensure specific valuation allowance reflect amounts considered uncollectible.

Performing loans classified as troubled debt restructurings at June 30, 2014 and June 30, 2013 segregated by class, are shown in the table below. Nonperforming TDRs are shown as nonaccrual loans.

	June 30, 2014		June 30, 2013	
	Number of modifications	Recorded Investment	Number of modifications	Recorded Investment
Residential real estate	6	$1,789,896	6	$1,663,477
Construction real estate	-	-	-	-
Commercial real estate	13	3,144,568	11	2,856,884
Consumer loans	-	-	-	-
Commercial loans	2	125,083	3	363,020
Total	21	$5,059,547	20	$4,883,381

Following is a summary of loans to executive officers, directors, significant shareholders and their affiliates held by the Company at June 30, 2014 and 2013, respectively:

	June 30, 2014	June 30, 2013
Beginning Balance	$ 10,318,475	$ 11,124,399
Additions	4,805,844	5,169,468
Repayments	(5,030,384)	(5,975,392)
Ending Balance	$ 10,093,935	$ 10,318,475

NOTE 4: Accounting for Certain Loans Acquired in a Transfer

The Company acquired loans in a transfer during the fiscal year ended June 30, 2011. At acquisition, certain transferred loans evidenced deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. In the Fiscal 2014 Acquisitions, the Company did not identify any material loans which evidenced deterioration.

Loans purchased with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of the purchase date may include information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Purchased credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality (ASC 310-30) and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for credit losses related to these loans is not carried over and recorded at the acquisition date. Management estimated the cash flows expected to be collected at acquisition using our internal risk models, which incorporate the estimate of current key assumptions, such as default rates, severity and prepayment speeds.

The carrying amount of those loans is included in the balance sheet amounts of loans receivable at June 30, 2014 and June 30, 2013. The amount of these loans is shown below:

	June 30, 2014	June 30, 2013
Real Estate Loans:		
Residential	$2,068,408	2,096,135
Construction	-	-
Commercial	1,275,649	1,323,361
Consumer loans	-	-
Commercial loans	115,481	1,707,442
Outstanding balance	$3,459,538	$5,126,938
Carrying amount, net of fair value adjustment of $287,306 and $1,021,542 at 2014 and 2013, respectively	$3,172,232	$4,105,396

Accretable yield, or income expected to be collected, is as follows:

	June 30, 2014	June 30, 2013
Balance at beginning of period	$798,789	$489,356
Additions	-	-
Accretion	(281,602)	(285,920)
Reclassification from nonaccretable difference	4,173	595,353
Disposals	(141,615)	-
Balance at end of period	$379,745	$798,789

During the fiscal years ended June 30, 2014 and 2013, the Company increased the allowance for the loan losses by a charge to the income statement of $0 and $181,000, respectively, related to these purchased credit impaired loans. During the same periods, allowance for loan losses of $57,489 and $5,000, respectively, was reversed.

NOTE 5: Premises and Equipment

Following is a summary of premises and equipment:

	June 30, 2014	June 30, 2013
Land	$ 6,353,380	$ 3,850,598
Buildings and improvements	18,307,616	15,318,307
Furniture, fixtures, and equipment	8,503,640	7,540,339
Automobiles	75,808	70,590
	33,240,444	26,779,834
Less accumulated depreciation	10,774,021	9,264,000
	$ 22,466,423	$ 17,515,834

NOTE 6: Deposits

Deposits are summarized as follows:

	June 30, 2014	June 30, 2013
Non-interest bearing accounts	$ 68,112,682	$ 45,441,845
NOW accounts	271,156,277	208,047,966
Money market deposit accounts	28,033,253	22,274,947
Savings accounts	95,326,510	84,372,522
TOTAL NON-MATURITY DEPOSITS	462,628,722	360,137,280
Certificates		
0.00-.99%	182,969,822	129,001,095
1.00-1.99%	107,466,963	98,756,575
2.00-2.99%	19,112,848	24,345,200
3.00-3.99%	13,522,636	19,431,132
4.00-4.99%	100,017	707,652
5.00-5.99%	-	-
TOTAL CERTIFICATES	323,172,285	272,241,653
TOTAL DEPOSITS	$ 785,801,007	$ 632,378,933

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The aggregate amount of deposits with a minimum denomination of $100,000 was $393,897,088 and $335,925,226 at June 30, 2014 and 2013, respectively.

Certificate maturities are summarized as follows:

		June 30, 2014
July 1, 2014 to June 30, 2015	$	207,367,139
July 1, 2015 to June 30, 2016		58,558,504
July 1, 2016 to June 30, 2017		19,888,140
July 1, 2017 to June 30, 2018		24,630,616
July 1, 2018 to June 30, 2019		12,727,886
Thereafter		-
TOTAL	$	323,172,285

Deposits from executive officers, directors, significant shareholders and their affiliates (related parties) held by the Company at June 30, 2014 and 2013 totaled approximately $2.4 million and $1.9 million, respectively.

NOTE 7: Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as borrowings, generally mature within one to four days. The following table presents balance and interest rate information on the securities sold under agreements to repurchase.

The market value of the securities underlying the agreements at June 30, 2014 and 2013, was $25.6 and $30.2 million, respectively. The securities sold under agreements to repurchase are under the Company's control.

	June 30,					
		2014			2013	
Year-end balance	$	25,561,086		$	27,788,192	
Average balance during the year		24,491,663			27,359,043	
Maximum month-end balance during the year		26,897,245			30,945,264	
Average interest during the year		0.54	%		0.74	%
Year-end interest rate		0.50	%		0.58	%

NOTE 8: Advances from Federal Home Loan Bank

Advances from Federal Home Loan Bank are summarized as follows:

Maturity	Call Date or Quarterly Thereafter	Interest Rate	June 30, 2014	2013
08/31/15	8/31/2015	4.80%	$ 523,515	$ -

11/29/16	8/29/2014	3.88%	5,000,000	5,000,000
11/29/16	8/29/2014	4.36%	5,000,000	5,000,000
11/20/17	8/20/2014	3.82%	3,000,000	3,000,000
11/29/17	8/29/2014	4.01%	2,500,000	2,500,000
08/13/18	8/13/2014	3.32%	548,691	-
08/14/18	8/14/2014	3.48%	4,000,000	4,000,000
08/14/18	8/14/2014	3.98%	5,000,000	5,000,000
Fed Funds		0.28%	$ 59,900,000	$ -
		TOTAL	$ 85,472,206	$ 24,500,000
Weighted-average rate			1.38 %	3.94 %

In addition to the above advances, the Bank had an available line of credit amounting to $195,792,000 and $188,696,000, with the FHLB at June 30, 2014 and 2013, respectively.

Advances from FHLB of Des Moines are secured by FHLB stock and commercial real estate and one- to four-family mortgage loans pledged. To secure outstanding advances and the Bank's line of credit, loans totaling $396.4 and $311.5 million, respectively, were pledged to the FHLB at June 30, 2014 and 2013, respectively. The principal maturities of FHLB advances at June 30, 2014, are below:

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FHLB Advance Maturities			June 30, 2014
July 1, 2014 to June 30, 2015		$	59,900,000
July 1, 2015 to June 30, 2016			523,515
July 1, 2016 to June 30, 2017			10,000,000
July 1, 2017 to June 30, 2018			5,500,000
July 1, 2018 to June 30, 2019			9,548,691
July 1, 2019 to thereafter			-
	TOTAL	$	85,472,206

NOTE 9: Subordinated Debt

Southern Missouri Statutory Trust I issued $7.0 million of Floating Rate Capital Securities (the “Trust Preferred Securities”) with a liquidation value of $1,000 per share in March 2004. The securities are due in 30 years, redeemable after five years and bear interest at a floating rate based on LIBOR. At June 30, 2014, the current rate was 2.98%. The securities represent undivided beneficial interests in the trust, which was established by Southern Missouri for the purpose of issuing the securities. The Trust Preferred Securities were sold in a private transaction exempt from registration under the Securities Act of 1933, as amended (the “Act”) and have not been registered under the Act. The securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Southern Missouri Statutory Trust I used the proceeds from the sale of the Trust Preferred Securities to purchase Junior Subordinated Debentures of Southern Missouri Bancorp. Southern Missouri Bancorp, Inc. used its net proceeds for working capital and investment in its subsidiaries.

In its October 2013 acquisition of Ozarks Legacy Community Financial, Inc. (OLCF), the Company assumed $3.1 million in floating rate junior subordinated debt securities. The securities had been issued in June 2005 by OLCF, bear interest at a floating rate based on LIBOR, and mature in 2035. At June 30, 2014, the current rate was 2.68%.

NOTE 10: Employee Benefits

401(k) Retirement Plan. The Bank has a 401(k) retirement plan that covers substantially all eligible employees. During fiscal 2012, the Bank amended the plan to make “safe harbor” matching contributions of up to 4% of eligible compensation, depending upon the percentage of eligible pay deferred into the plan by the employee. Additional profit-sharing contributions of 4% of eligible salary have been accrued for the plan year ended June 30, 2014, based on financial performance for fiscal 2014. Total 401(k) expense for fiscal 2014, 2013, and 2012 was $485,000, $446,000, and $413,000, respectively. At June 30, 2014, 401(k) plan participants held approximately 214,000 shares of the Company’s stock in the plan. Employee deferrals and safe harbor contributions are fully vested. Profit-sharing or other contributions vest over a period of five years.

Management Recognition Plan (MRP). The Bank adopted an MRP for the benefit of non-employee directors and two MRPs for officers and key employees (who may also be directors) in April 1994. During fiscal 2008, the Bank granted 2,500 MRP shares to employees, and during fiscal 2012, the Bank granted 3,036 shares to employees. The shares granted are in the form of restricted stock vested at the rate of 20% of such shares per year. During fiscal 2014, 2013 and 2012, 607, 607 and 500 MRP shares vested, respectively. Compensation expense, in the amount of the fair market value of the common stock at the date of grant, is recognized pro-rata over the five years during which the shares vest.

The Board of Directors can terminate the MRP plan at any time, and if it does so, any shares not allocated will revert to the Company. The MRP expense for fiscal 2014, 2013, and 2012, was $13,000, $13,000, and $11,000, respectively. At June 30, 2014, unvested compensation expense related to the MRP was approximately $39,000.

Equity Incentive Plan. The Company adopted an Equity Incentive Plan (EIP) in 2008, reserving for award 66,000 shares. EIP shares are available for award to directors, officers, and employees of the Company and its affiliates by a committee of outside directors. The committee has the power to set vesting requirements for each award under the EIP. During fiscal 2012, the Company awarded 36,964 shares, and during fiscal 2014, the Company awarded 12,000 shares, all in the form of restricted stock, which will vest at the rate of 20% of such shares per year. During fiscal 2014 and 2013, 7,393 EIP shares vested each year. Compensation expense, in the amount of the fair market value of the common stock at the date of grant, is recognized pro-rata over the five years during which the shares vest.

The Board of Directors can terminate EIP awards at any time, and if it does so, any shares not allocated will revert to the Company. The EIP expense for fiscal 2014 and 2013 was $202,000 and $159,000, respectively, with no expense recognized in fiscal 2012. At June 30, 2014, unvested compensation expense related to the EIP was approximately $864,000.

Stock Option Plans. The Company adopted a stock option plan in October 2003. Under the plan, the Company has granted 116,000 options to employees and directors, of which, 43,500 have been exercised, 22,500 have been forfeited, and 50,000 remain outstanding. Under the 2003 Plan, exercised options may be issued from either authorized but unissued shares, or treasury shares.

As of June 30, 2014, there was $18,000 in remaining unrecognized compensation expense related to nonvested stock options, which will be recognized over the remaining weighted average vesting period. The aggregate intrinsic value of stock options outstanding at June 30, 2014, was $1.1 million, and the aggregate intrinsic value of stock options exercisable at June 30, 2014, was $924,000. During fiscal 2014, options to purchase 34,400 shares were exercised. The intrinsic value of these options, based on the Company's closing stock price of $35.69, was $704,000. The intrinsic value of options vested in fiscal 2014, 2013, and 2012, was $129,000, $65,000, and $44,000, respectively.

Changes in options outstanding were as follows:

	2014		2013		2012	
	Weighted Average Price	Number	Weighted Average Price	Number	Weighted Average Price	Number
Outstanding at beginning of year	$14.84	84,400	$14.87	91,000	$14.44	87,500
Granted	-	-	-	-	22.35	5,000
Exercised	15.23	(34,400)	15.23	(6,600)	15.23	(1,500)
Forfeited	-	-	-	-	-	-
Outstanding at year-end	$14.57	50,000	$14.84	84,400	$14.87	91,000
Options exercisable at year-end	$14.19	43,000	$14.69	71,400	$14.77	72,000

The following is a summary of the assumptions used in the Black-Scholes pricing model in determining the fair values of options granted during fiscal year 2012. (No options were granted in fiscal 2014 or 2013):

	2014	2013	2012
Assumptions:			
Expected dividend yield	-	-	2.15 %
Expected volatility	-	-	20.75 %
Risk-free interest rate	-	-	2.18 %
Weighted-average expected life (years)	-	-	10.00
Weighted average fair value of	-	-	$4.66

The table below summarizes information about stock options outstanding under the plan at June 30, 2014:

	Options Outstanding		Options Exercisable	
Weighted Average Remaining Contractual Life	Number Outstanding	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
3.6 mo.	15,000	15.30	15,000	15.30
14.4 mo.	5,000	14.26	5,000	14.26
52.6 mo.	5,000	12.15	5,000	12.15
66.6 mo.	20,000	12.75	16,000	12.75
88.7 mo.	5,000	22.35	2,000	22.35

NOTE 11: Income Taxes

The Company and its subsidiary files income tax returns in the U.S. Federal jurisdiction and various states. The Company is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2010. The Company recognized no interest or penalties related to income taxes.

The components of net deferred tax assets are summarized as follows:

	June 30, 2014	June 30, 2013
Deferred tax assets:		
Provision for losses on loans	$3,695,786	$3,545,918
Accrued compensation and benefits	450,135	211,117
Other-than-temporary impairment on available for sale securities	140,625	261,405
NOL carry forwards acquired	853,089	150,270
Minimum tax credit	129,864	-
Unrealized loss on other real estate	38,156	31,280
Unrealized loss on available for sale securities	-	116,157
Total deferred tax assets	5,307,655	4,316,147
Deferred tax liabilities:		
FHLB stock dividends	156,635	188,612
Purchase accounting adjustments	1,532,622	1,228,067
Depreciation	766,677	761,389
Prepaid expenses	250,149	151,939
Unrealized gain on available for sale securities	336,168	-
Other	164,096	40,224
Total deferred tax liabilities	3,206,347	2,370,231
Net deferred tax (liability) asset	$2,101,308	$1,945,916

As of June 30, 2014, the Company had approximately $2.3 million in federal and state net operating loss carryforwards which were acquired in the July 2009 acquisition of Southern Bank of Commerce and February 2014 acquisition of Citizens State Bankshares of Bald Knob, Inc. The amount reported is net of the IRC Sec. 382 limitation, or state equivalent, related to the utilization of net operating loss carryforwards of acquired corporations. Unless otherwise utilized, the net operating losses will begin to expire in 2027.

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	For the twelve-month period ended		
	June 30, 2014	June 30, 2013	June 30, 2012
Tax at statutory rate	$4,700,928	$4,767,373	$4,996,427
Increase (reduction) in taxes resulting from:			
Nontaxable municipal income	(524,288)	(505,941)	(469,200)

State tax, net of Federal benefit	295,680	335,940	368,775
Cash surrender value of			
Bank-owned life insurance	(183,575)	(173,245)	(116,631)
Tax credit benefits	(390,810)	(341,755)	(236,451)
Tax benefits realized on acquisition	-	-	-
Acquisition costs	-	-	-
Other, net	(152,776)	(127,901)	54,189
Actual provision	$3,745,159	$3,954,471	$4,597,109

Tax credit benefits are recognized under the flow-through method of accounting for investments in tax credits.

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NOTE 12: Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), included in stockholders' equity, are as follows:

	June 30,	
	2014	2013
Net unrealized gain (loss) on securities available-for-sale	$694,273	$(244,002)
Net unrealized gain (loss) on securities available-for-sale securities for which a portion of an other-than-temporary impairment has been recognized in income	214,260	(76,964)
Unrealized gain from defined benefit pension plan	15,610	23,250
	924,143	(297,716)
Tax effect	(336,139)	118,776
Net of tax amount	$588,004	$(178,940)

NOTE 13: Stockholders' Equity and Regulatory Capital

On November 22, 2011, the Company completed an underwritten public offering of common shares in which it sold 1,150,000 shares to the public for $19.00 per share, for aggregate gross proceeds of $21.9 million. The net proceeds to the Company after deducting underwriting discounts and commissions and offering expenses were $19.9 million. The proceeds from the offering are being used for general corporate purposes, including the funding of loan growth and the purchase of securities.

The Company and Bank are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can result in 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 and Bank must meet specific capital guidelines that involve quantitative measures of the Company and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Furthermore, the Company and Bank's regulators could require adjustments to regulatory capital not reflected in the condensed consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total capital and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average total assets (as defined). Management believes, as of June 30, 2014 and 2013, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of June 30, 2014, the most recent notification from the Federal Reserve categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The tables below summarize the Company and Bank's actual and required regulatory capital:

As of June 30, 2014	Actual Amount	Actual Ratio		For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio		To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
Total Capital (to Risk-Weighted Assets)									
Consolidated	$125,930	16.38	%	$61,522	8.00	%	n/a	n/a	
Southern Bank	114,811	15.07	%	60,968	8.00	%	76,211	10.00	%
Tier I Capital (to Risk-Weighted Assets)									
Consolidated	116,314	15.12	%	30,762	4.00	%	n/a	n/a	
Southern Bank	105,281	13.81	%	30,484	4.00	%	45,726	6.00	%
Tier I Capital (to Average Assets)									
Consolidated	116,314	11.71	%	39,743	4.00	%	n/a	n/a	
Southern Bank	105,281	10.69	%	39,379	4.00	%	49,224	5.00	%

As of June 30, 2013	Actual Amount	Actual Ratio		For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio		To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio	
Total Capital (to Risk-Weighted Assets)									
Consolidated	$115,972	18.70	%	$49,608	8.00	%	n/a	n/a	
Southern Bank	92,618	15.10	%	49,059	8.00	%	61,324	10.00	%
Tier I Capital (to Risk-Weighted Assets)									
Consolidated	108,208	17.45	%	24,804	4.00	%	n/a	n/a	
Southern Bank	84,938	13.85	%	24,529	4.00	%	36,794	6.00	%
Tier I Capital (to Average Assets)									
Consolidated	108,208	13.73	%	31,524	4.00	%	n/a	n/a	
Southern Bank	84,938	10.87	%	31,250	4.00	%	39,063	5.00	%

The Bank's ability to pay dividends on its common stock to the Company is restricted to maintain adequate capital as shown in the above tables. Additionally, prior regulatory approval is required for the declaration of any dividends generally in excess of the sum of net income for that calendar year and retained net income for the preceding two calendar years. At June 30, 2014, approximately $18.7 million of the equity of the Bank was available for distribution as dividends to the Company without prior regulatory approval.

In July 2014, the Bank declared and paid to the Company a special dividend of $10.0 million to facilitate the Company's acquisition of Peoples Service Company.

NOTE 14: Small Business Lending Fund Implemented by the U.S. Treasury

On July 21, 2011, as part of the Small Business Lending Fund (SBLF) of the United States Department of the Treasury (Treasury), the Company entered into a Small Business Lending Fund-Securities Purchase Agreement (Purchase Agreement) with the Secretary of the Treasury, pursuant to which the Company (i) sold 20,000 shares of the Company's Senior Non-Cumulative Perpetual Preferred Stock, Series A (SBLF Preferred Stock) to the Secretary of the Treasury for a purchase price of $20,000,000. The SBLF Preferred Stock was issued pursuant to the SBLF program, a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small business by providing capital to qualified community banks with assets of less than $10 billion.

The SBLF Preferred Stock qualifies as Tier 1 capital. The SBLF Preferred Stock is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1, beginning October 1, 2011. The dividend rate, as a percentage of the liquidation amount, can fluctuate on a quarterly basis during the first 10 quarters during which the SBLF Preferred Stock is outstanding, based upon changes in the Bank's level of Qualified Small Business Lending (QBSL), as defined in the Purchase Agreement. Based upon the increase in the Bank's level of QBSL over the baseline level calculated under the terms of the Purchase Agreement, the dividend rate for the initial dividend period was set at 2.8155%. For the second through ninth calendar quarters, the dividend rate may be adjusted to between one percent (1%) and five percent (5%) per annum, to reflect the amount of change in the Bank's level of QBSL. The dividend rate for the quarter ended June 30, 2014, was 1%. For the tenth calendar quarter through four and one half years after issuance, the dividend rate will be fixed at between one percent (1%) and seven percent (7%) based upon the increase in QBSL as compared to the baseline. After four and one half years from issuance, the dividend rate will increase to 9% (including a quarterly lending incentive fee of 0.5%).

The SBLF Preferred Stock is non-voting, except in limited circumstances. In the event that the Company misses five dividend payments, the holder of the SBLF Preferred Stock will have the right to appoint a representative as an observer on the Company's Board of Directors. In the event that the Company misses six dividend payments, then the holder of the SBLF Preferred Stock will have the right to designate two directors to the Board of Directors of the Company.

The SBLF Preferred Stock may be redeemed at any time at the Company's option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to the approval of its federal banking regulator.

As required by the Purchase Agreement, $9,635,000 of the proceeds from the sale of the SBLF Preferred Stock was used to redeem the 9,550 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A issued in 2008 to the Treasury in the Troubled Asset Relief Program (TARP), plus the accrued dividends owed on those preferred shares. As part of the 2008 TARP transaction, the Company issued a ten-year warrant to

Treasury to purchase 114,326 shares of the Company's common stock at an exercise price of $12.53 per share. The Company has not repurchased the warrant, which is still held by Treasury.

NOTE 15: Commitments and Credit Risk

Standby Letters of Credit. In the normal course of business, the Company issues various financial standby, performance standby, and commercial letters of credit for its customers. As consideration for the letters of credit, the institution charges letter of credit fees based on the face amount of the letters and the creditworthiness of the counterparties. These letters of credit are stand–alone agreements, and are unrelated to any obligation the depositor has to the Company.

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers.

The Company had total outstanding standby letters of credit amounting to $3,394,000 at June 30, 2014, and $3,547,000 at June 30, 2013, with terms ranging from 12 to 24 months. At June 30, 2013, the Company's deferred revenue under standby letters of credit agreements was nominal.

Off-balance-sheet and Credit Risk. The Company's Consolidated Financial Statements do not reflect various financial instruments to extend credit to meet the financing needs of its customers.

These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on balance sheet instruments.

The Company had $112.8 million in commitments to extend credit at June 30, 2014, and $97.6 million at June 30, 2013.

At June 30, 2014, total commitments to originate fixed-rate loans with terms in excess of one year were $6.0 million at rates ranging from 3.90% to 8.75%, with a weighted-average rate of 4.74%. Commitments to extend credit and standby letters of credit include exposure to some credit loss in the event of nonperformance of the customer. The Company's policies for credit commitments and financial guarantees are the same as those for extension of credit that are recorded in the balance sheet. The commitments extend over varying periods of time with the majority being disbursed within a thirty-day period.

The Company originates collateralized commercial, real estate, and consumer loans to customers in Missouri and Arkansas. Although the Company has a diversified portfolio, loans aggregating $229.3 million at June 30, 2014, are secured by single and multi-family residential real estate generally located in the Company's primary lending area.

NOTE 16: Earnings Per Share

The following table sets forth the computations of basic and diluted earnings per common share:

	Year Ended June 30,		
	2014	2013	2012
Net income	$10,081,101	$10,067,215	$10,098,263
Less: Charge for early redemption of preferred stock issued at discount			94,365
Less: Effective dividend on preferred shares	200,000	345,115	424,184
Net income available to common stockholders	$9,881,101	$9,722,100	$9,579,714
Denominator for basic earnings per share -			
Weighted-average shares outstanding	3,308,180	3,291,440	2,796,279
Effect of dilutive securities stock options	92,027	84,113	92,634
Denominator for diluted earnings per share	3,400,207	3,375,553	2,888,913
Basic earnings per share available to common stockholders	$2.99	$2.95	$3.43
Diluted earnings per share available to common stockholders	$2.91	$2.88	$3.32

NOTE 17: Acquisitions

On October 4, 2013, the Company acquired 100% of the outstanding stock of Ozarks Legacy Community Financial, Inc. (OLCF), and its subsidiary, the Bank of Thayer, headquartered in Thayer, Missouri. The Bank of Thayer was merged into the Company's existing bank subsidiary, Southern Bank, on that date. The Company completed the conversion of data systems for the OLCF operations in December 2013. The Company acquired OLCF primarily for the purpose of conducting commercial banking activities in markets where it believes the Company's business model will perform well, and for the long-term value of its core deposit franchise. Through June 30, 2014, the Company incurred $718,000 in third-party acquisition-related costs. The expenses are included in noninterest expense in the Company's consolidated statement of income for the year ended June 30, 2014. The goodwill of $1,474,000 arising from the acquisition consists largely of synergies and economies of scale expected from combining the operations of the Company and OLCF. Total goodwill was assigned to the acquisition of the bank holding company.

The following table summarizes the consideration paid for OLCF and its subsidiary, the Bank of Thayer and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

Fair Value of Consideration Transferred		
Cash	$	6,279,694
Contingent consideration		-
Total consideration	$	6,279,694

Recognized amounts of identifiable assets acquired and liabilities assumed

Cash and Cash equivalents	$	2,234,980
Investment Securities		34,271,743
Loans		39,368,508
Premises and equipment		1,155,297
Identifiable intangible assets		1,432,645
Miscellaneous other assets		1,285,870
Deposits		(68,234,600)
Securities sold under agreements to repurchase		(1,099,675)
Advances from FHLB		(1,095,928)
Subordinated debt		(2,490,890)
Miscellaneous other liabilities		(2,022,076)
Liability arising from a contingency		-
Total identifiable net assets		4,805,874
Goodwill	$	1,473,820

On February 21, 2014, the Company completed its acquisition of Citizens State Bankshares of Bald Knob, Inc., and its subsidiary, the Citizens State Bank, Bald Knob, Arkansas (herein collectively, “Citizens State Bank”). Citizens State Bank was merged into the Company’s existing bank subsidiary, Southern Bank, on that date. The Company completed the conversion of data systems for the Citizens State Bank operations in April, 2014. The Company acquired CSB primarily for the purpose of conducting commercial banking activities in markets where it beleives the Company's business model will perform well, and for the long-term value of its core deposit franchise. Through

June 30, 2014, the Company incurred $368,000 in third-party acquisition-related costs. The expenses are included in noninterest expense in the Company's consolidated statement of income for the year ended June 30, 2014. There was no goodwill arising from the acquisition.

The following table summarizes the consideration paid for Citizens State Bankshares of Bald Knob, Inc. and its subsidiary, Citizens State Bank and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

Fair Value of Consideration Transferred			
Cash	$	5,708,211	
Contingent consideration		-	
Total consideration	$	5,708,211	

Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and Cash equivalents	$	4,167,979	
Investment Securities		50,539,865	
Loans		11,984,135	
Premises and equipment		612,540	
Identifiable intangible assets		624,440	
Miscellaneous other assets		4,075,288	
Deposits		(64,154,307	)
Securities sold under agreements to repurchase		-	
Advances from FHLB		(1,499,904	)
Subordinated debt		-	
Miscellaneous other liabilities		(641,825	)
Liability arising from a contingency		-	
Total identifiable net assets		5,708,211	
Goodwill	$	-	

NOTE 18: Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Recurring Measurements. The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2014 and 2013:

	Fair Value Measurements at June 30, 2014, Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government sponsored enterprises (GSEs)	$24,074,014	$-	$24,074,014	$ -
State and political subdivisions	45,356,444	-	45,356,444	-
Other securities	2,640,727	-	2,507,726	133,000
Mortgage-backed GSE residential	58,150,997	-	58,150,998	-

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	Fair Value Measurements at June 30, 2013, Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. government sponsored enterprises (GSEs)	$22,407,885	$-	$22,407,885	$ -
State and political subdivisions	39,323,307	-	39,323,307	-
Other securities	1,558,979	-	1,485,979	73,000
Mortgage-backed GSE residential	16,714,055	-	16,714,055	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period year ended June 30, 2014.

Available-for-sale Securities. When quoted market prices are available in an active market, securities are classified within Level 1. The Company does not have Level 1 securities. If quoted market prices are not available, then fair values are estimated using pricing models, or quoted prices of securities with similar characteristics. For these securities, our Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions, among other things. Level 2 securities include U.S. Government-sponsored enterprises, state and political subdivisions, other securities and mortgage-backed GSE residential securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

During fiscal 2011, a pooled trust preferred security was reclassified from Level 2 to Level 3 due to the unavailability of third-party vendor valuations determined by observable inputs – either quoted prices for similar assets; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets. The following table presents a reconciliation of activity for available for sale securities measured at fair value based on significant unobservable (Level 3) information for the years ended June 30, 2014 and 2013:

	2014	2013
Available-for-sale securities, beginning of year	$ 73,000	$ 32,600
Total unrealized gain (loss) included in comprehensive income	60,000	40,400
Transfer from Level 2 to Level 3	-	-
Available-for-sale securities, end of period	$ 133,000	$ 73,000

Nonrecurring Measurements. The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fell at June 30, 2014 and 2013:

	Fair Value Measurements at June 30, 2014, Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans (collateral dependent)	$-	$-	$-	$ -
Foreclosed and repossessed assets held for sale	2,977,000	-	-	2,977,000

	Fair Value Measurements at June 30, 2013, Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans (collateral dependent)	$378,000	$-	$-	$ 378,000
Foreclosed and repossessed assets held for sale	3,075,000	-	-	3,075,000

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The following table presents gains and (losses) recognized on assets measured on a non-recurring basis for the years ended June 30, 2014 and 2013:

	2014	2013
Impaired loans (collateral dependent)	$ 77,000	$ (424,000)
Foreclosed and repossessed assets held for sale	(264,000)	(295,000)
Total gains (losses) on assets measured on a non-recurring basis	$ (187,000)	$ (719,000)

The following is a description of valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarch. For assets classified within Level 3 of fair value hierarchy, the process used to develop the reported fair value process is described below.

Impaired Loans (Collateral Dependent). A collateral dependent loan is considered to be impaired when it is probable that all of the principal and interest due may not be collected according to its contractual terms. Generally, when a collateral dependent loan is considered impaired, the amount of reserve required is measured based on the fair value of the underlying collateral. The Company makes such measurements on all material collateral dependent loans deemed impaired using the fair value of the collateral for collateral dependent loans. The fair value of collateral used by the Company is determined by obtaining an observable market price or by obtaining an appraised value from an independent, licensed or certified appraiser, using observable market data. This data includes information such as selling price of similar properties and capitalization rates of similar properties sold within the market, expected future cash flows or earnings of the subject property based on current market expectations, and other relevant factors. In addition, management applies selling and other discounts to the underlying collateral value to determine the fair value. If an appraised value is not available, the fair value of the collateral dependent impaired loan is determined by an adjusted appraised value including unobservable cash flows.

On a quarterly basis, loans classified as special mention, substandard, doubtful, or loss are evaluated including the loan officer’s review of the collateral and its current condition, the Company’s knowledge of the current economic environment in the market where the collateral is located, and the Company’s recent experience with real estate in the area. The date of the appraisal is also considered in conjunction with the economic environment and any decline in the real estate market since the appraisal was obtained. For all loan types, updated appraisals are obtained if considered necessary. For all of the Company’s $3.2 million (carrying value) in impaired loans (collateral-dependent and purchased credit-impaired), excluding performing TDRs, at June 30, 2014, the Company utilized a real estate appraisal performed greater than 12 months ago to serve as the primary basis of our valuation. In instances where the economic environment has worsened and/or the real estate market declined since the last appraisal, a higher distressed sale discount would be applied to the appraised value.

The Company records collateral dependent impaired loans based on nonrecurring Level 3 inputs. If a collateral dependent loan’s fair value, as estimated by the Company, is less than its carrying value, the Company either records a charge-off of the portion of the loan that exceeds the fair value or establishes a specific reserve as part of the allowance for loan losses.

Foreclosed and Repossessed Assets Held for Sale. Foreclosed and repossessed assets held for sale are valued at the time the loan is foreclosed upon or collateral is repossessed and the asset is transferred to foreclosed or repossessed assets held for sale. The value of the asset is based on third party or internal appraisals, less estimated costs to sell and appropriate discounts, if any. The appraisals are generally discounted based on current and expected market conditions that may impact the sale or value of the asset and management's knowledge and experience with similar assets. Such discounts typically may be significant and result in a Level 3 classification of the inputs for determining fair value of these assets. Foreclosed and repossessed assets held for sale are continually evaluated for additional impairment and are adjusted accordingly if impairment is identified.

Unobservable (Level 3) Inputs. The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair value at June 30, 2014	Valuation technique	Unobservable inputs	Range of Discounts applied	Weighted-average discount applied
Recurring Measurements					
Available-for-sale securities	$133,000	Discounted cash flow	Discount rate Prepayment rate Projected defaults and deferrals (% of pool balance) Anticipated recoveries (% of pool balance)	n/a n/a n/a n/a	15.6% 1% annually 38.8% 1.0%
Nonrecurring Measurements					
Foreclosed and repossessed assets	2,977,000	Third party appraisal	Marketability discount	0.0 – 76.4%	14.9 %

	Fair value at June 30, 2013	Valuation technique	Unobservable inputs	Range of Discounts applied	Weighted-average discount applied
Recurring Measurements					
Available-for-sale securities	$73,000	Discounted cash flow	Discount rate Prepayment rate Projected defaults and deferrals (% of pool balance) Anticipated recoveries (% of pool balance)	n/a n/a n/a n/a	18.6% 1% annually 42.0% 1.7%
Nonrecurring Measurements					
Impaired loans (collateral dependent)	378,000	Internal or third-party appraisal	Discount to reflect realizable value	18.9 - 43.8 %	22.9 %
Foreclosed and repossessed assets	3,075,000	Third party appraisal	Marketability discount	0.0 - 66.7%	14.6 %

Fair Value of Financial Instruments. The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fell at June 30, 2014 and 2013:

	June 30, 2014			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$14,932	$14,932	$-	$ -
Interest-bearing time deposits	1,655	-	1,655	-
Stock in FHLB	4,569	-	4,569	-
Stock in Federal Reserve Bank of St. Louis	1,424	-	1,424	-
Loans receivable, net	801,056	-	-	805,543
Accrued interest receivable	4,402	-	4,402	-
Financial liabilities				
Deposits	785,801	462,629	-	323,512
Securities sold under agreements to repurchase	25,561	-	25,561	-
Advances from FHLB	85,472	59,900	27,714	-
Accrued interest payable	570	-	570	-
Subordinated debt	9,727	-	-	8,059
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	-	-	-	-
Letters of credit	-	-	-	-
Lines of credit	-	-	-	-

	June 30, 2013			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$12,789	$12,789	$-	$ -
Interest-bearing time deposits	980	-	980	-
Stock in FHLB	2,007	-	2,007	-
Stock in Federal Reserve Bank of St. Louis	1,004	-	1,004	-
Loans receivable, net	647,166	-	-	652,904
Accrued interest receivable	3,970	-	3,970	-
Financial liabilities				
Deposits	632,379	359,796	-	273,260
Securities sold under agreements to repurchase	27,788	-	27,788	-
Advances from FHLB	24,500	-	27,040	-
Accrued interest payable	529	-	529	-
Subordinated debt	7,217	-	-	6,209
Unrecognized financial instruments (net of contract amount)				
Commitments to originate loans	-	-	-	-
Letters of credit	-	-	-	-
Lines of credit	-	-	-	-

The following methods and assumptions were used in estimating the fair values of financial instruments:

Cash and cash equivalents, interest-bearing time deposits, accrued interest receivable, and accrued interest payable are valued at their carrying amounts, which approximates book value. Stock in FHLB and the Federal Reserve Bank of St. Louis is valued at cost, which approximates fair value. Fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying amounts of accrued interest approximate their fair values.

The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. Non-maturity deposits and securities sold under agreements are valued at their carrying value, which approximates fair value. Fair value of advances from the FHLB is estimated by discounting maturities using an estimate of the current market for similar instruments. The fair value of subordinated debt is estimated using rates currently available to the Company for debt with similar terms and maturities. The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and committed rates. The fair value of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

NOTE 19: Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are described in Note 1.

Current Economic Conditions. The recent economic environment has presented financial institutions with unprecedented circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company. Given the volatility of recent economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses, and capital that could negatively impact the Company's ability to meet regulatory capital requirements and maintain sufficient liquidity. Furthermore, the Company and Bank's regulators could require material adjustments to asset values or the allowance for loan losses for regulatory capital purposes that could affect the Company and Bank's measurement of regulatory capital and compliance with the capital adequacy guidelines under the regulatory framework for prompt corrective action.

NOTE 20: Subsequent Event – Business Combination

On August 5, 2014, the Company acquired 100% of the outstanding stock of Peoples Service Company (Peoples), headquartered in Nixa, Missouri. Peoples' banking subsidiary, Peoples Bank of the Ozarks, has been maintained as a separate bank charter and subsidiary of the Company. The Company acquired Peoples primarily for the purpose of obtaining entry to and additional presence in markets where it believes the Company's business model will perform well. The Company paid $12.1 million in cash and issued 345,897 shares of common stock to acquire the target. Additionally, the Company assumed the target's $6.5 million aggregate principal amount of junior subordinated debt securities due June 15, 2035 related to its outstanding trust preferred securities, and retired notes payable totaling $2.9 million. To provide cash to the Company to facilitate the transaction, the Company's banking subsidiary, Southern Bank, declared and paid to the Company a special dividend of $10.0 million in July 2014. At acquisition, Peoples held assets of $267.0 million, including loans, net, of $192.9 million, and held total deposits of $221.2 million. The initial accounting for the business combination was incomplete as of the date these financial statements were issued, due to work required to identify the fair value of the target's assets and liabilities. The Company will determine any goodwill or bargain purchase gain when the fair values of the purchased assets and liabilities are determined. The Company expects fair value adjustments to loans, deposits, and fixed assets. A core deposit intangible is also expected to be recognized from the acquisition. The Company will recognize all acquisition-related costs as an expense. The Company's acquisition-related costs related to Peoples were $150,000 through June 30, 2014, and are reflected in professional fees.

NOTE 21: Condensed Parent Company Only Financial Statements

The following condensed balance sheets, statements of income and comprehensive income and cash flows for Southern Missouri Bancorp, Inc. should be read in conjunction with the consolidated financial statements and the notes thereto:

		June 30	
Condensed Balance Sheets		2014	2013
Assets			
Cash and cash equivalents		$5,700,236	$16,576,832
Other assets		6,856,150	6,771,627
Investment in common stock of Bank		108,331,322	85,798,652
	TOTAL ASSETS	$120,887,708	$109,147,111
Liabilities and Stockholder's Equity			
Accrued expenses and other liabilities		$50,433	$100,758
Subordinated debt		9,726,545	7,217,000
	TOTAL LIABILITIES	9,776,978	7,317,758
Stockholder's equity		111,110,730	101,829,353
	TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$120,887,708	$109,147,111

Condensed Statements of Income		2014	2013	2012
		Year ended June 30,		
Interest income		$254,988	$311,013	$110,741
Interest expense		304,719	227,127	232,154
Net interest income (expense)		(49,731)	83,886	(121,413)
Dividends from Bank		3,000,000	3,000,000	2,700,000
Operating expenses		1,141,037	368,747	410,759
Income before income taxes and equity in undistributed income of the Bank		1,809,232	2,715,139	2,167,828
Income tax benefit		444,000	107,000	199,000
Income before equity in undistributed income of the Bank		2,253,232	2,822,139	2,366,828
Equity in undistributed income				
Equity in undistributed income of the Bank		7,827,869	7,245,076	7,731,435
	NET INCOME	$10,081,101	$10,067,215	$10,098,263
	COMPREHENSIVE INCOME	$10,848,045	$9,188,374	$10,262,544

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	Year ended June 30,		
Condensed Statements of Cash Flow	2014	2013	2012
Cash Flows from operating activities:			
Net income	$10,081,101	$10,067,215	$10,098,263
Changes in:			
Equity in undistributed income of the Bank	(7,634,818)	(7,245,076)	(7,731,435)
Other adjustments, net	(128,450)	482,570	(476,769)
NET CASH PROVIDED BY OPERATING ACTIVITES	2,317,833	3,304,709	1,890,059
Cash flows from investing activities:			
Proceeds from (investment in) loan participations	3,912,536	215,536	(6,721,160)
Proceeds from sale of real estate	849,545	-	-
Purchases of premises and equipment	(3,256,742)	-	-
Investments in Bank subsidiaries	(11,987,905)	(100)	-
Retirement of debt in acquisition	(692,029)		
Investments in state and federal tax credits	(225,000)		
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(11,399,595)	215,436	(6,721,160)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	-	-	19,973,208
Proceeds from issuance of common stock	-	-	19,914,349
Dividends on preferred stock	(200,000)	(411,553)	(368,760)
Dividends on common stock	(2,118,826)	(1,974,924)	(1,283,928)
Exercise of stock options	523,992	100,518	22,845
Redemption of preferred stock	-	-	(9,550,000)
Investments in bank subsidiary	-	-	(9,350,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,794,834)	(2,285,959)	19,357,714
Net increase (decrease) in cash and cash equivalents	(10,876,596)	1,234,186	14,526,613
Cash and cash equivalents at beginning of year	16,576,832	15,342,646	816,033
CASH AND CASH EQUIVALENTS AT END OF YEAR	$5,700,236	$16,576,832	$15,342,646

NOTE 22: Quarterly Financial Data (Unaudited)

Quarterly operating data is summarized as follows (in thousands):

	June 30, 2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$9,165	$10,238	$10,316	$10,751
Interest expense	1,792	1,907	1,882	1,904
Net interest income	7,373	8,331	8,434	8,847

Provision for loan losses	500	295	253	598
Noninterest income	1,280	1,666	1,462	1,724
Noninterest expense	4,567	6,226	6,619	6,234
Income before income taxes	3,586	3,476	3,024	3,739
Income tax expense	1,023	957	781	983
NET INCOME	$2,563	$2,519	$2,243	$2,756

	June 30, 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$9,362	$9,198	$8,756	$8,975
Interest expense	1,942	1,867	1,864	1,827
Net interest income	7,420	7,331	6,892	7,148
Provision for loan losses	611	462	228	415
Noninterest income	1,060	1,118	1,144	1,147
Noninterest expense	4,138	4,441	4,441	4,502
Income before income taxes	3,731	3,546	3,367	3,378
Income tax expense	1,141	1,065	901	848
NET INCOME	$2,590	$2,481	$2,466	$2,530

	June 30, 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$10,214	$9,943	$9,755	$9,053
Interest expense	2,736	2,622	2,446	2,139
Net interest income	7,478	7,321	7,309	6,914
Provision for loan losses	517	345	215	707
Noninterest income	1,116	899	954	1,093
Noninterest expense	3,783	3,884	4,866	4,072
Income before income taxes	4,294	3,991	3,182	3,228
Income tax expense	1,444	1,317	1,006	830
NET INCOME	$2,850	$2,674	$2,176	$2,398

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements:

The following are contained in Item 8 of this Form 10-K:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at June 30, 2014 and 2013
Consolidated Statements of Income for the Years Ended June 30, 2014, 2013, and 2012
Consolidated Statements of Stockholders’ Equity for the Years Ended June 30, 2014, 2013 and 2012
Consolidated Statements of Comprehensive Income for the Years Ended June 30, 2014, 2013 and 2012
Consolidated Statements of Cash Flows for the Years Ended June 30, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements, June 30, 2014, 2013 and 2012

(a)(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable.

(a)(3) Exhibits:

Regulation S-K Exhibit Number	Document		
3.1(i)	Articles of Incorporation of the Registrant (filed as an exhibit to the Registrant’s Annual Report on Form 10-KSB for the fiscal year ended June 30, 1999 and incorporated herein by reference)		
3.1(ii)	Amendment to Articles of Incorporation of the Registrant (filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2014 filed on November 17, 2014 and incorporated herein by reference)		
3.1(iii)	Certificate of Designation for the Registrant’s Senior Non-Cumulative Perpetual Preferred Stock, Series A (filed as an exhibit to the Registrant’s Current Report on Form 8-K filed on July 26, 2011 and incorporated herein by reference)		
3.2	Bylaws of the Registrant (filed as an exhibit to the Registrant’s Current Report on Form 8-K filed on December 6, 2007 and incorporated herein by reference)		
10	Material Contracts:		
	1.	2008 Equity Incentive Plan (attached to the Registrant’s definitive proxy statement filed on September 19, 2008 and incorporated herein by reference)	
	2.	2003 Stock Option and Incentive Plan (attached to the Registrant’s definitive proxy statement filed on September 17, 2003 and incorporated herein by reference)	
	3.	1994 Stock Option and Incentive Plan (attached to the Registrant’s definitive proxy statement filed on October 21, 1994 and incorporated herein by reference)	
	4.	Management Recognition and Development Plan (attached to the Registrant’s definitive proxy statement filed on October 21, 1994 and incorporated herein by reference)	
	5.	Employment Agreements	
		(i)	Employment Agreement with Greg A. Steffens (files as an exhibit to the Registrant’s Annual Report on Form 10-KSB for the year ended June 30, 1999)
	6.	Director’s Retirement Agreements	
		(i)	Director’s Retirement Agreement with Samuel H. Smith (filed as an exhibit to the Registrant’s Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995 and incorporated herein by reference)
		(ii)	Director’s Retirement Agreement with Sammy A. Schalk (filed as an exhibit to the Registrant’s Quarterly Report on Form 10-QSB for the quarter ended December 31, 2000 and incorporated herein by reference)
		(iii)	Director’s Retirement Agreement with Ronnie D. Black (filed as an exhibit to the Registrant’s Quarterly Report on Form 10-QSB for the quarter ended December 31, 2000 and incorporated herein by reference)
		(iv)	Director’s Retirement Agreement with L. Douglas Bagby (filed as an exhibit to the Registrant’s Quarterly Report on Form 10-QSB for the quarter ended December 31, 2000 and incorporated herein by reference)

	(v)	Director's Retirement Agreement with Rebecca McLane Brooks (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference)
	(vi)	Director's Retirement Agreement with Charles R. Love (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference)
	(vii)	Director's Retirement Agreement with Charles R. Moffitt (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2004 and incorporated herein by reference)
	(viii)	Director's Retirement Agreement with Dennis C. Robison (filed as an exhibit to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2008 and incorporated herein by reference)
	(ix)	Director's Retirement Agreement with Todd E. Hensley (filed as an exhibit to the Registrant's original Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and incorporated herein by reference)
7.	Tax Sharing Agreement (filed as an exhibit to the Registrant's Annual Report on Form 10-KSB for the year ended June 30, 1995 and incorporated herein by reference)	

10.1	Named Executive Officer Salary and Bonus Arrangements (filed as an exhibit to the Registrant's original Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and incorporated herein by reference)
10.2	Director Fee Arrangements for 2014 (filed as an exhibit to the Registrant's original Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and incorporated herein by reference)
11	Statement Regarding Computation of Per Share Earnings (filed as an exhibit to the Registrant's original Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and incorporated herein by reference)
14	Code of Conduct and Ethics (filed as an exhibit to the Registrant's Annual Report on Form 10-K for the year ended June 30, 2011 and incorporated herein by reference)
21	Subsidiaries of the Registrant (filed as an exhibit to the Registrant's original Annual Report on Form 10-K for the fiscal year ended June 30, 2014 and incorporated herein by reference)
23	Consent of Auditors
31	Rule 13a-14(a)/15-d14(a) Certifications
32	Section 1350 Certifications
101	The following financial statements from the Southern Missouri Bancorp, Inc. Annual Report on Form 10-K/A for the fiscal year ended June 30, 2014, formatted in Extensive Business Reporting Language (XBRL): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of stockholders' equity, (v) consolidated statements of cash flows and (vi) the notes to consolidated financial statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN MISSOURI BANCORP, INC.

Date: December 4, 2014	By:	/s/ Greg A. Steffens Greg A. Steffens President and Chief Executive Officer

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Index to Exhibits

Regulation S-K Exhibit Number	Document
23	Consent of Auditors
31	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications
101	The following financial statements from the Southern Missouri Bancorp, Inc. Annual Report on Form 10-K/A for the fiscal year ended June 30, 2014, formatted in Extensive Business Reporting Language (XBRL): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of stockholders' equity, (v) consolidated statements of cash flows and (vi) the notes to consolidated financial statements