

## Consolidated Statement of Cash Flows

(000's omitted, except per share data)

Year Ended December 31

	2006	2005	2004
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 3,213	\$ 4,420	\$ 5,218
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	609	563	431
Provision for possible loan losses	2,026	1,680	749
Accretion and amortization of securities	(408)	(557)	167
Loss (gain) on sale of investment securities	99	-	(236)
Deferred tax benefit	(347)	-	-
Net change in:			
Accrued interest receivable and other assets	(115)	(411)	690
Accrued taxes, interest, and other liabilities	201	666	(404)
<b>Net cash provided by operating activities</b>	<b>5,278</b>	<b>6,361</b>	<b>6,615</b>
<b>Cash Flows from Investing Activities</b>			
Purchases of Federal Home Loan Bank stock	-	(26)	(54)
Redemption of Federal Home Loan Bank stock	152	-	-
Activity in available-for-sale securities:			
Sales	14,129	-	12,732
Maturities, pre-payments, and calls	11,447	42,837	51,536
Purchases	(14,174)	(35,829)	(51,537)
Activity in held-to-maturity securities:			
Maturities, pre-payments, and calls	3,502	1,261	575
Purchases	-	(3,800)	(3,259)
Net decrease (increase) in loans	6,291	(52,952)	(42,996)
Capital expenditures	(511)	(1,941)	(2,206)
<b>Net cash provided by (used in) investing activities</b>	<b>20,836</b>	<b>(50,450)</b>	<b>(35,209)</b>
<b>Cash Flows from Financing Activities</b>			
Net increase in demand deposits, NOW accounts, and savings accounts	32,645	8,882	27,622
Net increase (decrease) in time deposits	(40,605)	505	5,655
Net increase (decrease) in short-term borrowings	(15,600)	10,804	591
Redemption of common stock	-	(18)	(6)
Dividends paid	(1,459)	(1,433)	(1,382)
<b>Net cash (used in) provided by financing activities</b>	<b>(25,019)</b>	<b>18,740</b>	<b>32,480</b>
Net increase (decrease) in Cash and Cash Equivalents	1,095	(25,349)	3,886
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>32,204</b>	<b>57,553</b>	<b>53,667</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 33,299</b>	<b>\$ 32,204</b>	<b>\$ 57,553</b>
<b>Supplemental Cash Flow Information - Cash paid for</b>			
Interest	\$ 13,820	\$ 10,438	\$ 8,093
Income taxes	2,306	1,495	2,175

See Notes to Consolidated Financial Statements