FIRST NORTHERN COMMUNITY BANCORP
Form 10-Q
November 03, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark one)
S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _______________

Commission File Number 000-30707

First Northern Community Bancorp
(Exact name of registrant as specified in its charter)

California	68-0450397
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

195 N. First Street, Dixon, California	95620
(Address of principal executive offices)	(Zip Code)

707-678-3041
(Registrant's telephone number including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or Section 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined by Rule 12b-2 of the Exchange Act). See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer	Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Common Stock outstanding as of October 31, 2016 was 10,710,577.
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PART I – FINANCIAL INFORMATION

FIRST NORTHERN COMMUNITY BANCORP

ITEM I. – FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except shares and share amounts)	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$158,909	$200,797
Certificates of deposit	16,709	16,649
Investment securities – available-for-sale	257,805	183,351
Loans, net of allowance for loan losses of $10,295 at September 30, 2016 and $9,251 at December 31, 2015	644,246	605,853
Loans held-for-sale	2,192	351
Stock in Federal Home Loan Bank and other equity securities, at cost	4,409	3,934
Premises and equipment, net	7,430	7,011
Interest receivable and other assets	27,443	26,679
Total Assets	$1,119,143	$1,044,625
Liabilities and Stockholders' Equity		
Liabilities:		
Demand deposits	$333,806	$313,307
Interest-bearing transaction deposits	272,931	261,634
Savings and MMDA's	328,051	285,365
Time, under $250,000	62,930	67,855
Time, $250,000 and over	18,807	19,953
Total deposits	1,016,525	948,114
Interest payable and other liabilities	10,233	10,662
Total Liabilities	1,026,758	958,776
Stockholders' Equity:		
Common stock, no par value; 16,000,000 shares authorized; 10,710,577 shares issued and outstanding at September 30, 2016 and 10,676,557 shares issued and outstanding at December 31, 2015	74,001	73,764
Additional paid-in capital	977	977
Retained earnings	17,379	11,603
Accumulated other comprehensive income (loss), net	28	(495)
Total Stockholders' Equity	92,385	85,849
Total Liabilities and Stockholders' Equity	$1,119,143	$1,044,625

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share amounts)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Interest and dividend income:				
Loans	$ 7,771	$ 7,053	$ 22,802	$ 20,038
Due from banks interest bearing accounts	215	145	676	465
Investment securities				
Taxable	913	631	2,577	2,066
Non-taxable	66	68	202	198
Other earning assets	97	97	274	395
Total interest and dividend income	9,062	7,994	26,531	23,162
Interest expense:				
Deposits	289	271	848	857
Total interest expense	289	271	848	857
Net interest income	8,773	7,723	25,683	22,305
Provision for loan losses	450	300	1,350	650
Net interest income after provision for loan losses	8,323	7,423	24,333	21,655
Non-interest income:				
Service charges on deposit accounts	510	502	1,536	1,515
Gains on sales of other real estate owned	—	55	4	216
Gains on sales of loans held-for-sale	234	180	596	605
Investment and brokerage services income	139	154	401	449
Mortgage brokerage income	9	5	31	28
Loan servicing income (expense)	(49)	165	171	476
Fiduciary activities income	108	127	326	384
Debit card income	499	524	1,467	1,528
Gains (losses) on sales/calls of available-for-sale securities	(21)	29	(7)	29
Other income	228	155	672	580
Total non-interest income	1,657	1,896	5,197	5,810
Non-interest expenses:				
Salaries and employee benefits	4,039	3,975	12,323	11,930
Occupancy and equipment	758	690	2,247	2,096
Data processing	421	410	1,180	1,257
Stationery and supplies	91	76	275	276
Advertising	90	67	233	239
Directors' fees	77	78	212	215
Other real estate owned expense	—	(24)	1	—
Impairment on other interest earning asset	—	(12)	—	(12)
Other expense	1,123	1,263	3,755	3,653
Total non-interest expenses	6,599	6,523	20,226	19,654
Income before provision for income taxes	3,381	2,796	9,304	7,811
Provision for income taxes	1,362	977	3,519	2,705
Net income	$ 2,019	$ 1,819	$ 5,785	$ 5,106

Preferred stock dividends	$ —	$ (32)	$ —	$ (96)
Net income available to common shareholders	$ 2,019	$ 1,787	$ 5,785	$ 5,010
Basic earnings per common share	$ 0.19	$ 0.17	$ 0.55	$ 0.47
Diluted earnings per common share	$ 0.19	$ 0.17	$ 0.54	$ 0.47

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net income	$ 2,019	$ 1,819	$ 5,785	$ 5,106
Other comprehensive (loss) income, net of tax:				
Unrealized holding gains (losses) arising during the period, net of tax effect of $(265) and $4 for the three months ended September 30, 2016 and September 30, 2015, respectively, and $347 and $(157) for the nine months ended September 30, 2016 and September 30, 2015, respectively	(401)	5	519	(238)
Less: reclassification adjustment due to (gains)/loss realized on sales of securities, net of tax effect of $8 and $(12) for the three months ended September 30, 2016 and September 30, 2015, respectively, and $3 and $(12) for the nine months ended September 30, 2016 and September 30, 2015, respectively	13	(17)	4	(17)
Directors' and officers' retirement plan equity adjustments, net of tax effect of $0 for the three months ended September 30, 2016 and September 30, 2015, and $0 and $(22) for the nine months ended September 30, 2016 and September 30, 2015, respectively	—	—	—	(33)
Other comprehensive (loss) income	$ (388)	$ (12)	$ 523	$ (288)
Comprehensive income	$ 1,631	$ 1,807	$ 6,308	$ 4,818

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except share data)

	Common Stock					
	Shares	Amounts	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2015	10,676,557	$73,764	$ 977	$11,603	$ (495)	$85,849
Net income				5,785		5,785
Other comprehensive income					523	523
Stock dividend adjustment	505	4		(4)		—
Cash in lieu of fractional shares	(101)			(5)		(5)
Stock-based compensation		208				208
Common shares issued related to restricted stock grants, net of restricted stock reversals	25,893					—
Stock options exercised	7,723	25				25
Balance at September 30, 2016	10,710,577	$74,001	$ 977	$17,379	$ 28	$92,385

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	(in thousands) Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash Flows From Operating Activities		
Net income	$5,785	$5,106
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	469	496
Accretion and amortization of investment securities premiums and discounts, net	2,197	1,545
Valuation adjustment on mortgage servicing rights	169	—
Decrease in deferred loan origination fees and costs, net	14	295
Provision for loan losses	1,350	650
Stock-based compensation	208	173
Losses (gains) on sales/calls of available-for-sale securities	7	(29)
Gains on sales of other real estate owned	(4)	(216)
Gains on sales of loans held-for-sale	(596)	(605)
Proceeds from sales of loans held-for-sale	28,423	34,231
Originations of loans held-for-sale	(29,668)	(34,376)
Changes in assets and liabilities:		
(Increase) decrease in interest receivable and other assets	(1,283)	1,229
Net (decrease) increase in interest payable and other liabilities	(429)	468
Net cash provided by operating activities	6,642	8,967
Cash Flows From Investing Activities		
Proceeds from calls or maturities of available-for-sale securities	31,464	4,540
Proceeds from sales of available-for-sale securities	756	17,798
Principal repayments on available-for-sale securities	25,409	19,628
Purchase of available-for-sale securities	(133,414)	(27,262)
Net (increase) decrease in certificates of deposit	(60)	923
Net increase in loans	(39,974)	(54,876)
Net increase in stock in Federal Home Loan Bank and other equity securities, at cost	(475)	—
Proceeds from sale of other real estate owned	221	1,359
Purchases of premises and equipment, net	(888)	(233)
Net cash used in investing activities	(116,961)	(38,123)
Cash Flows From Financing Activities		
Net increase in deposits	68,411	74,296
Cash dividends paid in lieu of fractional shares	(5)	(6)
Stock options exercised	25	84
Cash dividends paid on preferred stock	—	(96)
Net cash provided by financing activities	68,431	74,278
Net (decrease) increase in Cash and Cash Equivalents	(41,888)	45,122
Cash and Cash Equivalents, beginning of period	200,797	216,192
Cash and Cash Equivalents, end of period	$158,909	$261,314

Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$819	$840
Income taxes	$3,940	$2,525
Supplemental disclosures of non-cash investing and financing activities:		
Stock dividend distributed	$3,351	$3,103
Transfer of loans held-for-investment to other real estate owned	$217	$407
Decrease in directors' & officers' retirement plan equity adjustment, net of tax	$—	$(33)
Unrealized holding gains (losses) on available for sale securities, net of taxes	$523	$(255)

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015 and December 31, 2015

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of First Northern Community Bancorp (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Articles 9 and 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of results expected for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. All material intercompany balances and transactions have been eliminated in consolidation. See the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for discussion of significant accounting policies and estimates.

Recently Issued Accounting Pronouncements:

In January 2016, FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01, among other things:

Requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.
Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables).
Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost.

The amendments in this ASU are effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption of certain provisions is permitted. The Company does not expect the adoption of this update to have a significant impact on the Company's consolidated financial statements.

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The amendments in ASU 2016-02, among other things, require lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The amendments in this ASU are effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the Company's consolidated financial statements.

In March 2016, FASB issued ASU 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in ASU 2016-09 simplify several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for public companies for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any interim or annual period. Management is currently evaluating the impact of this ASU on the Company's consolidated financial statements.

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in ASU 2016-13, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments are effective for public companies for annual periods beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on the Company's consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in ASU 2016-15 provide cash flow statement guidance on eight specific cash flow issues. The amendments are effective for public companies for fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating the impact of this ASU on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications of prior period amounts have been made to conform to current classifications. The Company identified an error related to prior year classifications of the amortization of deferred loan costs in the Consolidated Statements of Income. The amortization amounts were included as components of "Salaries and Employee Benefits" and "Other Expenses", instead of a component of "Interest and Fees on Loans". Management evaluated the materiality of the error from qualitative and quantitative perspectives and concluded that the error was immaterial to the prior period financial statements taken as a whole. Consequently, the Consolidated Statement of Income contained in this Report has been revised for the three and nine months ended September 30, 2015. This change resulted in a decrease of $427,000 in "Interest and Fees and Loans" offset by decreases of $297,000 in "Salaries and employee benefits" and $130,000 in "Other expenses" for the three months ended September 30, 2015 and a decrease of $1,242,000 in "Interest and Fees and Loans" offset by decreases of $846,000 in "Salaries and employee benefits" and $396,000 in "Other expenses" for the nine months ended September 30, 2015. These changes did not affect net income, the balance sheet, cash flows or stockholders' equity for any period.

2. LOANS

The composition of the Company's loan portfolio, by loan class, as of September 30, 2016 and December 31, 2015 was as follows:

($ in thousands)	September 30, 2016	December 31, 2015
Commercial	$ 127,839	$ 136,095
Commercial Real Estate	322,622	292,316
Agriculture	97,257	84,813
Residential Mortgage	41,680	43,375
Residential Construction	20,596	12,110
Consumer	43,552	45,386
	653,546	614,095
Allowance for loan losses	(10,295)	(9,251)
Net deferred origination fees and costs	995	1,009
Loans, net	$ 644,246	$ 605,853

The Company manages asset quality and credit risk by maintaining diversification in its loan portfolio and through review processes that include analysis of credit requests and ongoing examination of outstanding loans and delinquencies, with particular attention to portfolio dynamics and loan mix. The Company strives to identify loans experiencing difficulty early enough to correct the problems, to record charge-offs promptly based on realistic assessments of collectability and current collateral values and to maintain an adequate allowance for loan losses at all times. Asset quality reviews of loans and other non-performing assets are administered using credit risk rating standards and criteria similar to those employed by state and federal banking regulatory agencies.

Commercial loans, whether secured or unsecured, generally are made to support the short-term operations and other needs of small businesses. These loans are generally secured by the receivables, equipment, and real property of the business and are susceptible to the related risks described above. Problem commercial loans are generally identified by periodic review of financial information that may include financial statements, tax returns, and payment history of the borrower. Based on this information, the Company may decide to take any of several courses of action including demand for repayment, requiring the borrower to provide a significant principal payment and/or additional collateral or requiring similar support from guarantors. Notwithstanding, when repayment becomes unlikely based on the borrower's income and cash flow, repossession or foreclosure of the underlying collateral may become necessary. Collateral values may be determined by appraisals obtained through Bank-approved, licensed appraisers, qualified independent third parties, purchase invoices, or other appropriate means.

Commercial real estate loans generally fall into two categories, owner-occupied and non-owner occupied. Loans secured by owner-occupied real estate are primarily susceptible to changes in the market conditions of the related business. This may be driven by, among other things, industry changes, geographic business changes, changes in the individual financial capacity of the business owner, general economic conditions and changes in business cycles. These same risks apply to commercial loans whether secured by equipment, receivables or other personal property or unsecured. Losses on loans secured by owner-occupied real estate, equipment, or other personal property generally are dictated by the value of underlying collateral at the time of default and liquidation of the collateral. When default is driven by issues related specifically to the business owner, collateral values tend to provide better repayment support and may result in little or no loss. Alternatively, when default is driven by more general economic conditions, underlying collateral generally has devalued more and results in larger losses due to default. Loans secured by non-owner occupied real estate are primarily susceptible to risks associated with swings in occupancy or vacancy and related shifts in lease rates, rental rates or room rates. Most often, these shifts are a result of changes in general economic or market conditions or overbuilding and resulting over-supply of space. Losses are dependent on the value of underlying collateral at the time of default. Values are generally driven by these same factors and influenced by interest rates and required rates of return as well as changes in occupancy costs. Collateral values may be determined by appraisals obtained through Bank-approved, licensed appraisers, qualified independent third parties, sales invoices, or other appropriate means.

Agricultural loans, whether secured or unsecured, generally are made to producers and processors of crops and livestock. Repayment is primarily from the sale of an agricultural product or payments for services. Agricultural loans are generally secured by inventory, receivables, equipment, and real property. Agricultural loans are susceptible to changes in market demand for specific commodities. This may be exacerbated by, among other things, industry changes, changes in the individual financial capacity of the business owner, general economic conditions and changes in business cycles, as well as adverse weather conditions, including drought conditions such as those affecting California. Problem agricultural loans are generally identified by periodic review of financial information that may include financial statements, tax returns, crop budgets, payment history and crop inspections. Based on this information, the Company may decide to take any of several courses of action including demand for repayment, requiring the borrower to provide a significant principal payment and/or additional collateral or requiring similar support from guarantors. Notwithstanding, when repayment becomes unlikely based on the borrower's income and cash flow, repossession or foreclosure of the underlying collateral may become necessary.

Residential mortgage loans, which are secured by real estate, are primarily susceptible to four risks: non-payment due to diminished or lost income; over-extension of credit; a lack of borrower's cash flow to sustain payments; and shortfalls in collateral value. In general, non-payment is usually due to loss of employment and follows general economic trends in the economy, particularly the upward movement in the unemployment rate, loss of collateral value and demand shifts.

Residential construction loans, whether owner-occupied or non-owner occupied residential development loans, are not only susceptible to the related risks described above but the added risks of construction, including cost over-runs, mismanagement of the project, or lack of demand and market changes experienced at time of completion. Losses are primarily related to underlying collateral value and changes therein as described above. Problem construction loans are generally identified by periodic review of financial information that may include financial statements, tax returns and payment history of the borrower. Based on this information, the Company may decide to take any of several courses of action including demand for repayment, requiring the borrower to provide a significant principal payment and/or additional collateral or requiring similar support from guarantors, or repossession or foreclosure of the underlying collateral. Collateral values may be determined by appraisals obtained through Bank-approved, licensed appraisers, qualified independent third parties, purchase invoices or other appropriate means.

Consumer loans, whether unsecured or secured, are primarily susceptible to four risks: non-payment due to diminished or lost income; over-extension of credit; a lack of borrower's cash flow to sustain payments; and shortfall in the collateral value. In general, non-payment is usually due to loss of employment and will follow general economic trends in the economy, particularly upward movements in the unemployment rate, loss of collateral value and demand shifts.

As of September 30, 2016, approximately 49% in principal amount of the Company's loans were secured by commercial real estate, consisting primarily of loans secured by commercial properties and construction and land development loans. Approximately 6% in principal amount of the Company's loans were residential mortgage loans. Approximately 3% in principal amount of the Company's loans were residential construction loans. Approximately 15% in principal amount of the Company's loans were for agriculture and 20% in principal amount of the Company's loans were for general commercial uses including professional, retail and small businesses. Approximately 7% in principal amount of the Company's loans were consumer loans.

Once a loan becomes delinquent and repayment becomes questionable, a Company collection officer will address collateral shortfalls with the borrower and attempt to obtain additional collateral or a principal payment. If this is not forthcoming and payment in full is unlikely, the Company will consider the loan to be collateral dependent and will estimate its probable loss, using a recent valuation as appropriate to the underlying collateral less estimated costs of sale, and charge-off the loan down to the estimated net realizable amount. Depending on the length of time until final collection, the Company may periodically revalue the underlying collateral and take additional charge-offs as warranted. Revaluations may occur as often as every 3-12 months depending on the underlying collateral and volatility of values. Final charge-offs or recoveries are taken when collateral is liquidated and actual loss is known. Unpaid balances on loans after or during collection and liquidation may also be pursued through legal action and attachment of wages or judgment liens on the borrower's other assets.

At September 30, 2016 and December 31, 2015, all loans were pledged under a blanket collateral lien to secure actual and potential borrowings from the Federal Home Loan Bank ("FHLB") and the Federal Reserve Bank.

Non-accrual and Past Due Loans

The Company's non-accrual loans by loan class, as of September 30, 2016 and December 31, 2015 were as follows:

($ in thousands)	September 30, 2016	December 31, 2015
Commercial	$ 5,042	$ 112
Commercial Real Estate	559	964
Agriculture	—	—
Residential Mortgage	553	1,092
Residential Construction	—	—
Consumer	157	560
	$ 6,311	$ 2,728

Non-accrual loans amounted to $6,311,000 at September 30, 2016 and were comprised of two commercial loans totaling $5,042,000, two commercial real estate loans totaling $559,000, two residential mortgage loans totaling $553,000 and two consumer loans totaling $157,000. Non-accrual loans amounted to $2,728,000 at December 31, 2015 and were comprised of four residential mortgage loans totaling $1,092,000, four commercial real estate loans totaling $964,000, four commercial loans totaling $112,000, and four consumer loans totaling $560,000. All non-accrual loans are measured for impairment based upon the present value of future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of collateral, if the loan is collateral dependent. If the measurement of the non-accrual loan is less than the recorded investment in the loan, an impairment is recognized through the establishment of a specific reserve sufficient to cover expected losses and/or a charge-off against the allowance for loan losses. If the loan is considered to be collateral dependent it is generally the Company's policy to charge-off the portion of any non-accrual loan that the Company does not expect to collect by writing the loan down to the estimated net realizable value of the underlying collateral.

An aging analysis of past due loans, segregated by loan class, as of September 30, 2016 and December 31, 2015, are as follows:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Loans
September 30, 2016						
Commercial	$ 100	$ 5,090	$ —	$ 5,190	$ 122,649	$ 127,839
Commercial Real Estate	—	—	—	—	322,622	322,622
Agriculture	—	—	—	—	97,257	97,257
Residential Mortgage	120	—	555	675	41,005	41,680
Residential Construction	—	—	—	—	20,596	20,596
Consumer	392	4	—	396	43,156	43,552
Total	$ 612	$ 5,094	$ 555	$ 6,261	$ 647,285	$ 653,546
December 31, 2015						
Commercial	$ 218	$ —	$ 57	$ 275	$ 135,820	$ 136,095
Commercial Real Estate	130	—	232	362	291,954	292,316
Agriculture	—	—	—	—	84,813	84,813

Residential Mortgage	—	—	—	—	43,375	43,375
Residential Construction	—	—	—	—	12,110	12,110
Consumer	19	5	429	453	44,933	45,386
Total	$ 367	$ 5	$ 718	$		