FIRST NORTHERN COMMUNITY BANCORP
Form 10-Q
August 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 June 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 August 1, 2016 was 10,704,247.

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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)	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$143,519	$200,797
Certificates of deposit	16,709	16,649
Investment securities – available-for-sale	235,233	183,351
Loans, net of allowance for loan losses of $10,030 at June 30, 2016 and $9,251 at December 31, 2015	633,758	605,853
Loans held-for-sale	1,886	351
Stock in Federal Home Loan Bank and other equity securities, at cost	4,409	3,934
Premises and equipment, net	7,481	7,011
Interest receivable and other assets	27,071	26,679
Total Assets	$1,070,066	$1,044,625
Liabilities and Stockholders' Equity		
Liabilities:		
Demand deposits	$320,427	$313,307
Interest-bearing transaction deposits	263,026	261,634
Savings and MMDA's	302,810	285,365
Time, under $250,000	63,886	67,855
Time, $250,000 and over	19,713	19,953
Total deposits	969,862	948,114
Interest payable and other liabilities	9,548	10,662
Total Liabilities	979,410	958,776
Stockholders' Equity:		
Common stock, no par value; 16,000,000 shares authorized; 10,704,247 shares issued and outstanding at June 30, 2016 and 10,676,557 shares issued and outstanding at December 31, 2015	73,903	73,764
Additional paid-in capital	977	977
Retained earnings	15,360	11,603
Accumulated other comprehensive income (loss), net	416	(495)
Total Stockholders' Equity	90,656	85,849
Total Liabilities and Stockholders' Equity	$1,070,066	$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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest and dividend income:				
Loans	$7,649	$6,627	$15,031	$12,984
Due from banks interest bearing accounts	192	164	461	320
Investment securities				
Taxable	882	694	1,664	1,435
Non-taxable	66	66	136	130
Other earning assets	93	222	177	298
Total interest and dividend income	8,882	7,773	17,469	15,167
Interest expense:				
Deposits	273	293	559	586
Total interest expense	273	293	559	586
Net interest income	8,609	7,480	16,910	14,581
Provision for loan losses	450	—	900	350
Net interest income after provision for loan losses	8,159	7,480	16,010	14,231
Non-interest income:				
Service charges on deposit accounts	506	494	1,026	1,013
Gains on sales of other real estate owned	—	—	4	161
Gains on sales of loans held-for-sale	252	292	362	425
Investment and brokerage services income	137	151	262	295
Mortgage brokerage income	22	18	22	23
Loan servicing income	104	198	220	311
Fiduciary activities income	105	129	218	257
Debit card income	503	528	968	1,004
Gains on calls of available-for-sale securities	—	—	14	—
Other income	226	212	444	425
Total non-interest income	1,855	2,022	3,540	3,914
Non-interest expenses:				
Salaries and employee benefits	4,099	4,107	8,284	7,955
Occupancy and equipment	766	699	1,489	1,406
Data processing	373	436	759	847
Stationery and supplies	91	111	184	200
Advertising	58	92	143	172
Directors' fees	76	75	135	137
Other real estate owned expense	—	22	1	24
Other expense	1,345	1,230	2,632	2,389
Total non-interest expenses	6,808	6,772	13,627	13,130
Income before provision for income taxes	3,206	2,730	5,923	5,015
Provision for income taxes	1,171	960	2,157	1,728
Net income	$2,035	$1,770	$3,766	$3,287

Preferred stock dividends	$—	$(32)	$—	$(64)
Net income available to common shareholders	$2,035	$1,738	$3,766	$3,223
Basic earnings per common share	$0.19	$0.16	$0.36	$0.31
Diluted earnings per common share	$0.19	$0.16	$0.35	$0.30

See notes to unaudited condensed consolidated financial statements.

FIRST NORTHERN COMMUNITY BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income	$ 2,035	$ 1,770	$ 3,766	$ 3,287
Other comprehensive income (loss), net of tax:				
Unrealized holding gains on securities:				
Unrealized holding gains (losses) arising during the period, net of tax effect of $172 and $(411) for the three months ended June 30, 2016 and June 30, 2015, respectively, and $613 and $(161) for the six months ended June 30, 2016 and June 30, 2015, respectively	259	(618)	919	(243)
Less: reclassification adjustment due to gains realized on sales of securities, net of tax effect of $0 for the three months ended June 30, 2016 and June 30, 2015, and $(6) and $0 for the six months ended June 30, 2016 and June 30, 2015, respectively	—	—	(8)	—
Directors' and officers' retirement plan equity adjustments, net of tax effect of $0 for the three months ended June 30, 2016 and June 30, 2015, and $0 and $(22) for the six months ended June 30, 2016 and June 30, 2015, respectively	—	—	—	(33)
Other comprehensive income (loss)	$ 259	$ (618)	$ 911	$ (276)
Comprehensive income	$ 2,294	$ 1,152	$ 4,677	$ 3,011

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				3,766		3,766
Other comprehensive income					911	911
Stock dividend adjustment	505	4		(4)		—
Cash in lieu of fractional shares	(101)			(5)		(5)
Stock-based compensation		135				135
Common shares issued related to restricted stock grants, net of restricted stock reversals	27,286					—
Balance at June 30, 2016	10,704,247	$73,903	$ 977	$15,360	$ 416	$90,656

See notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	(in thousands) Six months ended June 30, 2016	Six months ended June 30, 2015
Cash Flows From Operating Activities		
Net income	$3,766	$3,287
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	303	333
Accretion and amortization of investment securities premiums and discounts, net	1,326	1,002
Valuation adjustment on mortgage servicing rights	13	—
(Increase) decrease in deferred loan origination fees and costs, net	(90)	122
Provision for loan losses	900	350
Stock-based compensation	135	116
Gains on calls of available-for-sale securities	(14)	—
Gains on sales of other real estate owned	(4)	(161)
Gains on sales of loans held-for-sale	(362)	(425)
Proceeds from sales of loans held-for-sale	16,470	23,509
Originations of loans held-for-sale	(17,643)	(23,079)
Changes in assets and liabilities:		
(Increase) decrease in interest receivable and other assets	(1,012)	1,619
Net decrease in interest payable and other liabilities	(1,114)	(281)
Net cash provided by operating activities	2,674	6,392
Cash Flows From Investing Activities		
Proceeds from calls or maturities of available-for-sale securities	20,704	4,540
Principal repayments on available-for-sale securities	15,260	12,682
Purchase of available-for-sale securities	(87,640)	(23,615)
Net (increase) decrease in certificates of deposit	(60)	923
Net increase in loans	(28,932)	(33,440)
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	897
Purchases of premises and equipment, net	(773)	(151)
Net cash used in investing activities	(81,695)	(38,164)
Cash Flows From Financing Activities		
Net increase in deposits	21,748	41,315
Cash dividends paid in lieu of fractional shares	(5)	(6)
Stock options exercised	—	84
Cash dividends paid on preferred stock	—	(64)
Net cash provided by financing activities	21,743	41,329
Net (decrease) increase in Cash and Cash Equivalents	(57,278)	9,557
Cash and Cash Equivalents, beginning of period	200,797	216,192
Cash and Cash Equivalents, end of period	$143,519	$225,749

Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$543	$578
Income taxes	$2,380	$1,310
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	$911	$(243)

See notes to unaudited condensed consolidated financial statements.

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FIRST NORTHERN COMMUNITY BANCORP

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 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 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.

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 six months ended June 30, 2015. This change resulted in a decrease of $451,000 in "Interest and Fees and Loans" offset by decreases of $308,000 in "Salaries and employee benefits" and $143,000 in "Other expenses" for the three months ended June 30, 2015 and a decrease of $816,000 in "Interest and Fees and Loans" offset by decreases of $549,000 in "Salaries and employee benefits" and $267,000 in "Other expenses" for the six months ended June 30, 2015. These changes did not affect net income, the balance sheet, cash flows or shareholders' equity for any period.

2. LOANS

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

($ in thousands)	June 30, 2016	December 31, 2015
Commercial	$132,347	$136,095
Commercial Real Estate	313,533	292,316
Agriculture	92,766	84,813
Residential Mortgage	43,670	43,375
Residential Construction	17,554	12,110
Consumer	42,819	45,386
	642,689	614,095
Allowance for loan losses	(10,030)	(9,251)
Net deferred origination fees and costs	1,099	1,009
Loans, net	$633,758	$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 June 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 7% 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 14% 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 June 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 June 30, 2016 and December 31, 2015 were as follows:

($ in thousands)	June 30, 2016	December 31, 2015
Commercial	$56	$ 112
Commercial Real Estate	580	964
Agriculture	—	—
Residential Mortgage	553	1,092
Residential Construction	—	—
Consumer	162	560
	$1,351	$ 2,728

Non-accrual loans amounted to $1,351,000 at June 30, 2016 and were comprised of two commercial loans totaling $56,000, two commercial real estate loans totaling $580,000, two residential mortgage loans totaling $553,000 and two consumer loans totaling $162,000. 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. 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 June 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
June 30, 2016						
Commercial	$388	$ —	$—	$388	$131,959	$132,347
Commercial Real Estate	—	—	—	—	313,533	313,533
Agriculture	—	—	—	—	92,766	92,766
Residential Mortgage	361	—	—	361	43,309	43,670
Residential Construction	—	—	—	—	17,554	17,554
Consumer	65	—	107	172	42,647	42,819
Total	$814	$ —	$107	$921	$641,768	$642,689
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	$1,090	$613,005	$614,095

The Company had no loans that were 90 days or more past due and still accruing at June 30, 2016 and one loan totaling $2,000 that was 90 days or more past due and still accruing at December 31, 2015. Included in the aging loan category labeled "current" are non-accrual loans that were not delinquent with respect to contractual principal and interest payments as of June 30, 2016 and December 31, 2015. These loans are categorized as non-accrual loans and are not accruing interest as of June 30, 2016 and December 31, 2015. Non-accrual loans outstanding at June 30, 2016 and December 31, 2015 are disclosed in the table above.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Loans considered for impairment include non-accrual loans, troubled debt restructurings and loans with a risk rating of 6 (substandard) or worse. Once identified, impaired loans are measured individually for impairment using one of three methods: present value of expected cash flows discounted at the loan's effective interest rate; the loan's observable market price; and the fair value of collateral if the loan is collateral dependent. In general, any portion of the recorded investment in a collateral dependent loan in excess of the fair value of the collateral that can be identified as uncollectible, and is, therefore, deemed a confirmed loss, is promptly charged-off against the allowance for loan losses.

Impaired loans, segregated by loan class, as of June 30, 2016 and December 31, 2015 were as follows:

($ in thousands)	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment