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

FORM 10-Q

☒ Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2015

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 No. 001-35679

MADISON COUNTY FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of Company or organization)	**46-0658311** (I.R.S. Employer Identification Number)
111 West Third Street, Madison, Nebraska (Address of Principal Executive Offices)	**68748** Zip Code

(402) 454-6511
(Registrant's telephone number)

N/A
(Former name or former address, if changed since last report)

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 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 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. 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 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 ☒

As of November 1, 2015, 3,141,594 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding.

Madison County Financial, Inc.
Form 10-Q

Index

Madison County Financial, Inc.
Form 10-Q

Part II. Other Information

Part I. – Financial Information

Item 1. Financial Statements

Madison County Financial, Inc.
Condensed Consolidated Balance Sheets
(Dollars in Thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	$ 2,341	$ 4,315
Interest-earning demand accounts	87	113
Cash and cash equivalents	2,428	4,428
Certificates of deposit	1,000	1,000
Investment securities:		
Available for sale, at fair value	10,867	9,494
Held to maturity, at amortized cost (fair value of $41,193 and $34,524, respectively)	40,776	34,012
Loans held for sale	819	-
Loans receivable, net of allowance for losses of $8,431 and $7,413, respectively	248,195	246,101
Stock in Federal Home Loan Bank ("FHLB") of Topeka	1,715	1,791
Premises and equipment, net	2,061	2,138
Bank-owned life insurance ("BOLI")	6,594	6,445
Accrued interest receivable	5,193	4,268
Core deposit intangible	430	519
Goodwill	481	481
Other assets	4,012	3,637
Total assets	$ 324,571	$ 314,314
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 220,471	$ 209,979
Borrowings	35,800	39,800
Accrued interest payable	93	101
Other liabilities	4,392	2,898
Total liabilities	260,756	252,778
Commitments and contingencies		
Stockholders' Equity		
Common stock, $0.01 par value per share:		
Issued and outstanding - 2,965,782 and 2,971,982 respectively	29	29
Additional paid in capital	25,927	25,583
Unearned employee stock ownership plan (ESOP)	(2,171)	(2,248)
Retained earnings	39,833	38,018
Accumulated other comprehensive income	197	154
Total stockholders' equity	63,815	61,536
Total liabilities and stockholders' equity	$ 324,571	$ 314,314

See notes to condensed consolidated financial statements

Madison County Financial, Inc.
Condensed Consolidated Statements of Income
(Dollars in Thousands, except share and per share data)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Unaudited)			
Interest and Dividend Income				
Loans receivable, including fees	$ 3,016	$ 2,790	$ 8,815	$ 8,216
Investment securities - taxable	95	91	277	269
Investment securities - non-taxable	310	267	870	788
Other	24	10	56	26
Total interest income	3,445	3,158	10,018	9,299
Interest Expense				
Deposits	405	388	1,193	1,155
Borrowings	50	66	150	183
Total interest expense	455	454	1,343	1,338
Net interest income	2,990	2,704	8,675	7,961
Provision for loan losses	315	360	1,015	930
Net Interest Income After Provision for Loan Losses	2,675	2,344	7,660	7,031
Other Income				
Service charges on deposit accounts	69	75	188	204
ATM and credit card fees	44	41	128	116
Loan servicing income, net	55	55	147	166
Gain on sale of loans	155	133	514	323
Increase in surrender value of life insurance	50	51	149	144
Insurance commission income	167	175	379	346
Other income	35	25	88	76
Total other income	575	555	1,593	1,375
Other Expense				
Salaries and employee benefits	1,168	1,094	3,488	3,216
Director fees and benefits	107	107	346	609
Net occupancy	137	135	404	394
Data processing fees	74	55	158	165
Professional fees	60	56	437	275
Advertising	29	25	90	76
Supplies	50	23	137	106
FDIC insurance premiums	36	33	109	100
Core deposit intangible amortization	30	34	89	102
Other expense	191	149	574	494
Total other expense	1,882	1,711	5,832	5,537
Income Before Income Tax Expense	1,368	1,188	3,421	2,869
Income tax expense	419	309	920	695
Net Income	$ 949	$ 879	$ 2,501	$ 2,174
Earnings Per Share:				
Basic	$ 0.35	$ 0.31	$ 0.91	$ 0.76
Diluted	0.34	0.31	0.90	0.76
Dividends Per Share	-	-	0.25	0.24

See notes to condensed consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited)			
Net Income	$ 949	$ 879	$ 2,501	$ 2,174
Other Comprehensive Income				
Unrealized gains on available-for-sale securities, net of tax expense of $22 (unaudited), $4 (unaudited), $22 (unaudited) and $96 (unaudited) for the three months and nine months ended September 30, 2015 and 2014, respectively	44	6	43	186
Comprehensive Income	$ 993	$ 885	$ 2,544	$ 2,360

See notes to condensed consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Dollars in Thousands, except share and per share data)

	Common Stock												
	Shares Outstanding		Amount		Additional Paid-in Capital		Unearned ESOP Shares (Unaudited)		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total Stockholders' Equity
Balance, January 1, 2015	2,971,982	$	29	$	25,583	$	(2,248)	$	38,018	$	154	$	61,536
Net income									2,501				2,501
Other comprehensive income											43		43
ESOP shares earned					88		77						165
Dividends Paid ($0.25 per share)									(686)				(686)
Stock Based Compensation					364								364
Tax benefit related to Stock Based Compensation					16								16
Shares repurchased	(6,200)		-		(124)								(124)
Balance, September 30, 2015	2,965,782		29		25,927		(2,171)		39,833		197		63,815
Balance, January 1, 2014	3,035,844	$	30	$	28,035	$	(2,350)	$	35,723	$	(46)	$	61,392
Net income									2,174				2,174
Other comprehensive income											186		186
ESOP shares earned					62		76						138
Dividends paid ($0.24 per share)									(679)				(679)
Restricted Shares Issued	115,000		1		(1)								-
Stock Based Compensation					629								629
Shares repurchased	(113,362)		(1)		(2,032)								(2,033)
Balance, September 30, 2014	3,037,482	$	30	$	26,693	$	(2,274)	$	37,218	$	140	$	61,807

See notes to consolidated financial statements.

Madison County Financial, Inc.
Condensed Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Nine Months Ended September 30, 2015	2014
	(Unaudited)	
Operating activities:		
Net income	$ 2,501	$ 2,174
Items not requiring cash:		
Provision for loan losses	1,015	930
Depreciation and amortization	151	160
Investment securities amortization, net	4	3
Core deposit intangible amortization	89	102
Loans originated for sale in the secondary market	(19,949)	(12,366)
Proceeds from loan sales in the secondary market	19,504	12,220
Gain on loans sold	(514)	(323)
Increase in surrender value of life insurance	(149)	(144)
Stock based compensation	364	629
ESOP shares earned	165	138
Net change in:		
Accrued interest receivable	(925)	(979)
Accrued interest payable	258	(1)
Other adjustments	169	(68)
Net cash provided by operating activities	2,683	2,475
Investing activities:		
Purchases of investment securities available for sale	(4,853)	(2,477)
Proceeds from maturities of investment securities available for sale	3,550	2,000
Purchases of investment securities held to maturity	(8,723)	(4,191)
Proceeds from maturities of investment securities held to maturity	2,725	4,105
Purchase of FHLB Stock	(992)	(1,034)
Proceeds from redemption of FHLB stock	1,111	1,348
Net change in loans receivable	(3,109)	(10,435)
Purchases of premises and equipment	(74)	(149)
Purchase of bank-owned life insurance	-	(1,500)
Net cash used in investing activities	(10,365)	(12,333)
Financing activities:		
Net change in checking and money market savings accounts	10,354	5,848
Net change in certificates of deposit	138	(1,247)
Net change in short-term borrowings	(2,800)	5,000
Repayment of FHLB advances	(1,200)	-
Proceeds from FHLB advances	-	1,000
Repurchased shares	(124)	(2,033)
Dividends paid	(686)	(679)
Net cash provided by financing activities	5,682	7,889
Net Change in Cash and Cash Equivalents	(2,000)	(1,969)
Cash and Cash Equivalents, Beginning of Period	4,428	4,119
Cash and Cash Equivalents, End of Period	$ 2,428	$ 2,150
Additional Cash Flows Information:		
Interest paid	$ 1,085	$ 1,339
Taxes paid	1,188	651

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Madison County Bank (the “Bank”), a wholly owned subsidiary of Madison County Financial, Inc. (the “Company”), is engaged in providing a full range of banking and financial services to individual and corporate customers in the areas surrounding Madison, Nebraska. The Bank is subject to competition from other financial institutions. The Company is subject to the regulation of the Federal Reserve Board and the Bank is subject to the regulation of the Office of the Comptroller of the Currency (“OCC”) and both undergo periodic examinations by such authority.

On October 3, 2012, Madison County Holding Company, MHC, (the “MHC), the Bank’s former federally chartered mutual holding company, consummated its mutual-to-stock conversion and the Company consummated its initial stock offering.

In the Offering, the Company sold 3,193,054 shares of its common stock, par value $0.01 per share, at $10.00 per share in a subscription offering and community offering, including 255,444 shares, equal to 8.0% of the shares sold in the offering, to the Madison County Bank employee stock ownership plan.

In accordance with applicable federal conversion regulations, at the time of the completion of the mutual-to-stock conversion, we established a liquidation account in an amount equal to the Bank’s total equity as of the latest balance sheet date in the final prospectus used in the Conversion. Each eligible account holder or supplemental account holder is entitled to a proportionate share of this liquidation account in the event of a complete liquidation of the Bank, and only in such event. This share will be reduced if the eligible account holder’s or supplemental account holder’s deposit balance falls below the amounts on the date of record as of any December 31 and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after conversion in the related deposit balance.

The Company may not declare, pay a dividend on, or repurchase any of its capital stock of the Bank, if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements.

The conversion was accounted for as a change in corporate form with the historic basis of the MHC’s consolidated assets, liabilities and equity unchanged as a result.

Note 1: Basis of Presentation

The accompanying condensed consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on March 27, 2015. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the financial statements have been included. The results of operations for the three-month and nine-month periods ended September 30, 2015, are not necessarily indicative of the results which may be expected for the year ending December 31, 2015.

Note 2: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Note 3: Earnings Per Share

The Company has granted stock compensation awards with non-forfeitable dividend rights, which are considered participating securities. Accordingly, earnings per share (EPS) is computed using the two-class method as required by ASC 260-10-45. Basic EPS is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the period which excludes the participating securities. Diluted EPS includes the dilutive effect of additional potential common shares from stock compensation awards, but excludes awards considered participating securities. ESOP shares are not considered outstanding for EPS until they are earned.

The following table presents the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Unaudited, Dollars in Thousands except share and per share data)			
Net income	$ 949	$ 879	$ 2,501	$ 2,174
Allocated to participating securities	(28)	(32)	(76)	(74)
Net income allocated to common stockholders	$ 921	$ 847	$ 2,425	$ 2,100
Weighted average common shares outstanding, gross	2,966,562	3,049,955	2,967,372	3,065,576
Less: Average unearned ESOP shares and participating securities	299,919	329,335	305,715	316,394
Weighted average common shares outstanding, net	2,666,643	2,720,620	2,661,657	2,749,182
Effect of diluted based awards	16,727	-	21,759	-
Weighted average shares and common stock equivalents	2,683,370	2,720,620	2,683,416	2,749,182
Income per common share:				
Basic	$ 0.35	$ 0.31	$ 0.91	$ 0.76
Diluted	0.34	0.31	0.90	0.76
Options excluded from the calculation due to their anti-dilutive effect on earnings per share	-	288,000	-	288,000

(Dollars in thousands)

Note 4: Investment Securities

The amortized cost and approximate fair values of investment securities are as follows:

	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Unaudited)			
Available for sale:				
Federal agencies	$ 10,569	$ 307	$ (9)	$ 10,867
Total available for sale	10,569	307	(9)	10,867
Held to maturity:				
State and municipal	40,776	484	(67)	41,193
Total held to maturity	40,776	484	(67)	41,193
Total investment securities	$ 51,345	$ 791	$ (76)	$ 52,060

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available for sale:				
Federal agencies	$ 9,261	$ 271	$ (38)	$ 9,494
Total available for sale	9,261	271	(38)	9,494
Held to maturity:				
State and municipal	34,012	551	(39)	34,524
Total held to maturity	34,012	551	(39)	34,524
Total investment securities	$ 43,273	$ 822	$ (77)	$ 44,018

(Dollars in thousands)

The amortized cost and fair value of investment securities at September 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Unaudited)			
Within one year	$ 886	$ 905	$ 1,360	$ 1,362
After one through five years	5,980	6,118	2,877	2,883
After five through ten years	3,569	3,697	6,559	6,666
After ten years	134	147	29,980	30,282
	$ 10,569	$ 10,867	$ 40,776	$ 41,193

The carrying value of investment securities pledged as collateral, to secure public deposits and for other purposes was $8,739 at September 30, 2015 (unaudited) and $6,798 at December 31, 2014.

There were no sales of investment securities available for sale for the three and nine months ended September 30, 2015 and 2014 (unaudited).

Certain investments in debt securities have fair values at an amount less than their historical cost. Total fair value of these investments at September 30, 2015 (unaudited) and December 31, 2014 was $7,923 and $5,768, which is approximately 15% and 13%, respectively, of the Company’s investment portfolio. These declines primarily resulted from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these investment securities are temporary.

Should the impairment of any of these investment securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

(Dollars in thousands)

Investment securities with unrealized losses at September 30, 2015 were as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(Unaudited)			
Available for sale- Federal agencies	$ 1,008	$ (2)	$ 993	$ (7)	$ 2,001	$ (9)
Held to maturity- State and municipal	4,048	(27)	1,874	(40)	5,922	(67)
	$ 5,056	$ (29)	$ 2,867	$ (47)	$ 7,923	$ (76)

Investment securities with unrealized losses at December 31, 2014 were as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for sale- Federal agencies	$ -	$ -	$ 2,261	$ (38)	$ 2,261	$ (38)
Held to maturity- State and municipal	325	(1)	3,182	(38)	3,507	(39)
	$ 325	$ (1)	$ 5,443	$ (76)	$ 5,768	$ (77)

The unrealized losses on the Company’s investments in federal agencies and state and municipal securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases 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 bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at September 30, 2015.

Note 5: Loans and Allowance

The Company’s loan and allowance policies are as follows:

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Premiums and discounts are amortized as a level yield adjustment over the respective term of the loan.

For loans not secured by real estate or loans secured by real estate with loan-to-value ratios of 80% or more, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. For loans secured by real estate with a loan-to-value ratio of less than 80%, the accrual of interest is discontinued after the loan is 120 days past due. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

For all loan portfolio segments, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status. There were no changes in the Company's nonaccrual policy during the nine month periods ended September 30, 2015 and 2014 (unaudited).

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. 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 general and allocated components. The general component covers non-impaired loans and is based on the product of the historical loss experience rate, adjusted by certain qualitative factors in basis points, and the portfolio balance for each loan segment. The historical loss experience rate is determined for each loan portfolio segment and is based on the actual loss history experienced by the Company over the prior four years. Management believes the four year historical loss experience methodology is appropriate in the current economic environment. The qualitative factors considered include changes in experience of lending staff, lending policies and procedures; changes in loan review and oversight, changes in collection, charge-off and recovery practices; changes in the nature and volume of the loan portfolio; changes in the volume and severity of nonperforming loans; the existence and effect of any concentrations of credit and changes in the level of such concentrations; changes in the underlying collateral and changes in current, national and local economic and business conditions.

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.

A loan is considered impaired when, 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. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. 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 non-homogenous type loans such as commercial, non-owner residential and construction 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. For impaired loans where the Company utilizes the discounted cash flows to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral-dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial non-real estate, commercial real estate and multi-family real estate loans. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses.

(Dollars in thousands)

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

Categories of loans receivable include:

	September 30, 2015 (Unaudited)	December 31, 2014
Real estate:		
Agricultural	$ 126,209	$ 120,436
Commercial and multi-family	20,047	19,059
One- to four-family residential	42,035	41,674
Agricultural and commercial non-real estate	63,485	68,049
Consumer	4,850	4,296
	256,626	253,514
Less		
Allowance for losses	8,431	7,413
Total loans	$ 248,195	$ 246,101

The risk characteristics of each loan portfolio segment are as follows:

Agricultural Real Estate

Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Loan-to-value ratios on loans secured by farmland generally do not exceed 70% and have amortization periods limited to twenty one years.

Agricultural and Commercial Non-Real Estate

Agricultural non-real estate loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry-developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop and other farm assets as considered necessary.

Commercial non-real estate loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial non-real estate loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis.

Commercial and Multi-Family Real Estate

Commercial and multi-family real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan.

Commercial and multi-family real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial and multi-family real estate portfolio are diverse, but virtually all of these loans are secured by properties in Nebraska. Management monitors and evaluates commercial real estate and multi-family real estate loans based on collateral, geography and risk grade criteria. In addition, the Company generally will not finance single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Residential Real Estate and Consumer

Residential real estate and consumer loans consist of two segments - residential mortgage loans and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio of 80% of the sales price or appraised value, whichever is lower, and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

(Dollars in thousands)

The following table presents by portfolio segment, the activity in the allowance for loan losses for the three and nine months ended September 30, 2015, and 2014:

	Agricultural	Real Estate: Commercial and Multi-Family	Real Estate: One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited)			
Three Months Ended September 30, 2015						
Allowance for Loan Losses:						
Balance, beginning of period	$ 4,542	$ 393	$ 615	$ 2,453	$ 113	$8,116
Provision for loan losses	224	44	20	13	14	315
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Balance, end of period	$ 4,766	$ 437	$ 635	$ 2,466	$ 127	$8,431
Nine Months Ended September 30, 2015						
Allowance for Loan Losses:						
Balance, beginning of period	$ 3,999	$ 510	$ 631	$ 2,167	$ 106	$7,413
Provision for loan losses	767	(73)	4	299	18	1,015
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	3	3
Balance, end of period	$ 4,766	$ 437	$ 635	$ 2,466	$ 127	$8,431
Three Months Ended September 30, 2014						
Allowance for Loan Losses:						
Balance, beginning of period	$ 3,804	$ 576	$ 658	$ 1,617	$ 86	$6,741
Provision for loan losses	219	(68)	(54)	240	23	360
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Balance, end of period	$ 4,023	$ 508	$ 604	$ 1,857	$ 109	$7,101
Nine Months Ended September 30, 2014						
Allowance for Loan Losses:						
Balance, beginning of period	$ 3,340	$ 597	$ 510	$ 1,638	$ 86	$6,171
Provision for loan losses	683	(89)	94	219	23	930
Loans charged to the allowance	-	-	-	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Balance, end of period	$ 4,023	$ 508	$ 604	$ 1,857	$ 109	$7,101

(Dollars in thousands)

The following table presents by portfolio segment, allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of September 30, 2015 and December 31, 2014:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
At September 30, 2015 (Unaudited)						
Allowance:						
Ending balance	$ 4,766	$ 437	$ 635	$ 2,466	$ 127	$ 8,431
Ending balance individually evaluated for impairment	$ -	$ -	$ 4	$ -	$ -	$ 4
Ending balance collectively evaluated for impairment	$ 4,766	$ 437	$ 631	$ 2,466	$ 127	$ 8,427
Loans:						
Ending balance	$ 126,209	$ 20,047	$ 42,035	$ 63,485	$ 4,850	$ 256,626
Ending balance individually evaluated for impairment	$ -	$ -	$ 13	$ -	$ -	$ 13
Ending balance collectively evaluated for impairment	$ 126,209	$ 20,047	$ 42,022	$ 63,485	$ 4,850	$ 256,613
At December 31, 2014						
Allowance:						
Ending balance	$ 3,999	$ 510	$ 631	$ 2,167	$ 106	$ 7,413
Ending balance individually evaluated for impairment	$ -	$ 111	$ 10	$ -	$ -	$ 121
Ending balance collectively evaluated for impairment	$ 3,999	$ 399	$ 621	$ 2,167	$ 106	$ 7,292
Loans:						
Ending balance	$ 120,436	$ 19,059	$ 41,674	$ 68,049	$ 4,296	$ 253,514
Ending balance individually evaluated for impairment	$ -	$ 120	$ 17	$ -	$ -	$ 137
Ending balance collectively evaluated for impairment	$ 120,436	$ 18,939	$ 41,657	$ 68,049	$ 4,296	$ 253,377

(Dollars in thousands)

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of September 30, 2015:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited)			
Pass	$ 125,461	$ 20,047	$ 41,498	$ 63,480	$ 4,827	$ 255,313
Special Mention	-	-	355	5	11	371
Substandard	748	-	182	-	12	942
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 126,209	$ 20,047	$ 42,035	$ 63,485	$ 4,850	$ 256,626

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2014:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
Pass	$ 119,905	$ 18,929	$ 41,053	$ 67,787	$ 4,257	$ 251,931
Special Mention	117	10	431	10	21	589
Substandard	414	120	190	252	18	994
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 120,436	$ 19,059	$ 41,674	$ 68,049	$ 4,296	$ 253,514

The Company generally categorizes all classes of 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. Generally, smaller dollar consumer loans are excluded from this grading process and are reflected in the Pass category. The delinquency trends of these consumer loans are monitored on a homogeneous basis and the related delinquent amounts are reflected in the aging analysis table below. The Company uses the following definitions for risk ratings:

The Pass asset quality rating encompasses assets that have generally performed as expected. With the exception of some smaller consumer and residential loans, these assets generally do not have delinquency. Loans assigned this rating include loans to borrowers possessing solid credit quality with acceptable risk. Borrowers in these grades are differentiated from higher grades on the basis of size (capital and/or revenue), leverage, asset quality, stability of the industry or specific market area and quality/coverage of collateral. These borrowers generally have a history of consistent earnings and reasonable leverage.

(Dollars in thousands)

The Special Mention asset quality rating encompasses assets that have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. This grade is intended to include loans to borrowers whose credit quality has clearly deteriorated and where risk of further decline is possible unless active measures are taken to correct the situation. Weaknesses are considered potential at this state and are not yet fully defined.

The Substandard asset quality rating encompasses assets that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any; assets having a well-defined weakness based upon objective evidence; assets characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected; or the possibility that liquidation will not be timely. Loans categorized in this grade possess a well-defined credit weakness and the likelihood of repayment from the primary source is uncertain. Significant financial deterioration has occurred and very close attention is warranted to ensure the full repayment without loss. Collateral coverage may be marginal and the accrual of interest has been suspended.

The Doubtful asset quality rating encompasses assets that have all of the weaknesses of those classified as Substandard. In addition, these weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The Loss asset quality rating encompasses assets that are considered uncollectible and of such little value that their continuance as assets of the bank is not warranted. A loss classification does not mean that an asset has no recovery or salvage value; instead, it means that it is not practical or desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be realized in the future.

The following table presents the Company's loan portfolio aging analysis and nonperforming loans as of September 30, 2015:

	Real Estate					
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited)			
Past Due:						
30-59 days	$ -	$ -	$	$ -	$ 15	$ 15
60-89 days	181	349	315	-	-	845
90 days or more	343	-	125	-	-	468
Total past due	524	349	440	-	15	1,328
Current	125,685	19,698	41,595	63,485	4,835	255,298
Total loans	$ 126,209	$ 20,047	$ 42,035	$ 63,485	$ 4,850	$ 256,626
Nonaccrual loans	$ 343	$ -	$ 182	$ -	$ 7	$ 532
Loans past due 90 days and still accruing	-	-	47	-	-	47
	$ 343	$ -	$ 229	$ -	$ 7	$ 579

(Dollars in thousands)

The following table presents the Company’s loan portfolio aging analysis and nonperforming loans as of December 31, 2014:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
Past Due:						
30-59 days	$ -	$ -	$ 882	$ 469	$ -	$ 1,351
60-89 days	-	-	258	-	7	265
90 days or more	-	-	173	-	-	173
Total past due	-	-	1,313	469	7	1,789
Current	120,436	19,059	40,361	67,580	4,289	251,725
Total loans	$ 120,436	$ 19,059	$ 41,674	$ 68,049	$ 4,296	$ 253,514
Nonaccrual loans	$ -	$ 120	$ 174	$ -	$ 11	$ 305
Loans past due 90 days and still accruing	-	-	173	-	-	173
	$ -	$ 120	$ 347	$ -	$ 11	$ 478

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 commercial loans but also include loans modified in troubled debt restructurings 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 table presents impaired loans and specific valuation allowance based on class level at September 30, 2015:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited)			
Impaired loans with an allowance for loan losses	$ -	$ -	$ 13	$ -	$ -	$ 13
Impaired loans with no allowance for loan losses	-	-	-	-	-	-
Total impaired loans	$ -	$ -	$ 13	$ -	$ -	$ 13
Unpaid principal balance of impaired loans	$ -	$ -	$ 13	$ -	$ -	$ 13
Allowance for loan losses on impaired loans	-	-	4	-	-	4

(Dollars in thousands)

The following table presents average impaired loans based on class level for the three and nine months ended September 30, 2015 and 2014:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
			(Unaudited)			
Three Months Ended September 30, 2015						
Average recorded investment in impaired loans	$ -	$ -	$ 13	$ -	$ -	$ 13
Interest income recognized on impaired loans	$ -	$ -	$ 1	$ -	$ -	$ 1
Nine Months Ended September 30, 2015						
Average recorded investment in impaired loans	$ -	$ 30	$ 15	$ -	$ -	$ 45
Interest income recognized on impaired loans	$ -	$ 4	$ 1	$ -	$ -	$ 5
Three Months Ended September 30, 2014						
Average recorded investment in impaired loans	$ -	$ 129	$ 19	$ -	$ -	$ 148
Interest income recognized on impaired loans	$ -	$ 3	$ 1	$ -	$ -	$ 4
Nine Months Ended September 30, 2014						
Average recorded investment in impaired loans	$ -	$ 134	$ 19	$ -	$ -	$ 153
Interest income recognized on impaired loans	$ -	$ 7	$ 1	$ -	$ -	$ 8

The following table presents impaired loans and specific valuation allowance based on class level at December 31, 2014:

		Real Estate				
	Agricultural	Commercial and Multi-Family	One- to Four-Family Residential	Agricultural and Commercial	Consumer	Total
Impaired loans with an allowance for loan losses	$ -	$ 120	$ 17	$ -	$ -	$ 137
Impaired loans with no allowance for loan losses	-	-	-	-	-	-
Total impaired loans	$ -	$ 120	$ 17	$ -	$ -	$ 137
Unpaid principal balance of impaired loans	$ -	$ 120	$ 17	$ -	$ -	$ 137
Allowance for loan losses on impaired loans	-	111	10	-	-	121
Average recorded investment in impaired loans	-	131	19	-	-	150

During the three and nine months ended September 30, 2015 and 2014 (unaudited), there were no new restructurings classified as troubled debt restructurings. At September 30, 2015 and 2014 (unaudited), there were no such loans restructured within the last twelve months that were in default.

Note 6: Disclosures About Fair Value of Assets and Liabilities

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 specifies 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 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following is a description of the valuation methodologies and inputs used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. 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 security’s terms and conditions. Additionally, matrix pricing is used for certain investment securities and is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities’ relationship to other benchmark quoted investment securities. Level 1 securities include U. S. Treasuries. Level 2 securities include federal agencies. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

(Dollars in thousands)

The following tables present the fair value measurements of assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2015 and December 31, 2014:

	September 30, 2015 Fair Value Measurements Using			
Assets	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(Unaudited)		
Available for sale:				
Federal agencies	$ 10,867	-	$ 10,867	$ -
	$ 10,867	$ -	$ 10,867	$ -

	December 31, 2014 Fair Value Measurements Using			
Assets	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available for sale:				
Federal agencies	$ 9,494	$ -	$ 9,494	$ -
	$ 9,494	$ -	$ 9,494	$ -

The following is a description of the valuation methodologies used for instruments measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires a current independent appraisal of the collateral and applying a discount factor to the value. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses.

(Dollars in thousands)

Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

The following tables present the fair value measurements of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

Assets	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015 (Unaudited)				
Impaired loans	$ 9	$ -	$ -	$ 9
December 31, 2014				
Impaired loans	$ 16	$ -	$ -	$ 16

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average
At September 30, 2015: (Unaudited)				
Collateral-dependent impaired loans	$ 9	Market comparable properties	Marketability discount	9.50%
At December 31, 2014:				
Collateral-dependent impaired loans	$ 16	Market comparable properties	Marketability discount	10%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Certificates of Deposit, Federal Home Loan Bank Stock, Accrued Interest Receivable and Accrued Interest Payable

The carrying amount approximates fair value.

Held-to-Maturity Securities

Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans and Loans Held for Sale

The fair value of loans is estimated by discounting the future cash flows using the market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits

Deposits include checking and money market savings accounts. The carrying amount of these deposits approximates fair value. The fair value of fixed-maturity time deposits (certificates and other time deposits) is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Borrowings

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

(Dollars in thousands)

The following table presents estimated fair values of the Company's financial instruments at September 30, 2015:

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Unaudited)		
Financial assets:				
Cash and cash equivalents	$ 2,428	$ 2,428	$ -	$ -
Certificates of deposit	1,000	1,000	-	-
Held to maturity investment securities	40,776	-	41,193	-
Loans held for sale	819	-	819	-
Loans, net	248,195	-	-	255,538
Stock in Federal Home Loan Bank of Topeka	1,715	-	1,715	-
Accrued interest receivable	5,193	-	5,193	-
Financial liabilities:				
Deposits	220,471	195,042	-	25,502
Borrowings	35,800	-	35,590	-
Accrued interest payable	93	-	93	-

The following table presents estimated fair values of the Company's financial instruments at December 31, 2014:

		Fair Value Measurements Using		
	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	$ 4,428	$ 4,428	$ -	$ -
Certificates of deposit	1,000	1,000	-	-
Held to maturity investment securities	34,012	-	34,524	-
Loans held for sale	-	-	-	-
Loans, net	246,101	-	-	252,657
Stock in Federal Home Loan Bank of Topeka	1,791	-	1,791	-
Accrued interest receivable	4,268	-	4,268	-
Financial liabilities:				
Deposits	209,979	184,688	-	25,333
Borrowings	39,800	-	39,906	-
Accrued interest payable	101	-	101	-

(Dollars in thousands, except share and per share data)

Note 7: Share Based Compensation (Unaudited)

In November 2013, the Company's stockholders approved the 2013 Equity Incentive Plan ("Plan") which provides for awards of stock options and restricted stock to officers, employees and directors. The cost of the Plan is based on the fair value of the awards on the grant date. The fair value of restricted stock awards is based on the closing price of the Company's stock on the grant date. The fair value of stock options is estimated using a Black-Scholes option pricing model using assumptions for dividend yield, stock price volatility, risk-free interest rate, and option term. These assumptions are based on management's judgments regarding future events, are subjective in nature, and contain uncertainties inherent in an estimate. The cost of the awards is being recognized over the five-year vesting periods during which participants are required to provide services in exchange for the awards. Certain officers and employees have seven-year vesting periods. Vesting began March 1, 2014 for directors and November 1, 2014 for certain other officers and employees.

Until such time as awards of stock are granted and vested or options are exercised, shares of the Company's common stock under the Plan shall be authorized but unissued shares. The maximum number of shares authorized under the plan is 447,027. Total stock-based compensation expense for the three and nine months ended September 30, 2015 and 2014 was $119, $364, $120 and $629, respectively.

Stock Options

The tables below represent the stock option activity for the periods shown:

	Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractural Term	Aggregate Instrinic Value
		(Unaudited)		
Options outstanding at January 1, 2015	288,000	$ 17.10	9.25	
Granted	-	-	-	
Exercised	(460)	17.10	-	$ 1
Forfeited or expired	(4,140)	17.10	-	
Options outstanding at September 30, 2015	283,400	$ 17.10	8.50	$ 995
Options exercisable at September 30, 2015	76,890	$ 17.10	8.50	$ 270

(Dollars in thousands, except share and per share data)

	Options		Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term		Aggregate Instrinic Value
			(Unaudited)			
Options outstanding at January 1, 2014	-	$	-	-		
Granted	288,000		17.10	10.00		
Exercised	-		-	-		
Forfeited or expired	-		-	-		
Options outstanding at September 30, 2014	288,000	$	17.10	9.50	$	619
Options exercisable at September 30, 2014	32,820	$	17.10	9.50	$	71

As of September 30, 2015, the Company had $445 of unrecognized compensation expense related to stock options. The cost of the stock options will be amortized in monthly installments over the noted five-year and seven-year vesting periods, with the first vesting date of March 1, 2014 for directors, and November 1, 2014 for certain other officers and employees. There were 32,820 stock options that vested in the nine months ended September 30, 2015, and 32,820 stock options that vested in the nine months ended September 30, 2014. Stock option expense for the three and nine months ended September 30, 2015 and 2014 were $33, 97, $31 and $161, respectively. The aggregate grant date fair value of the stock options granted in 2014 was $743.

The fair value of the Company's stock options granted in 2014 was determined using the Black-Scholes option pricing formula. The following assumptions were used in the formula:

Expected volatility		13.78%
Risk-free interest rate		2.27%
Expected dividend yield		1.64%
Expected life (in years)		7.5
Exercise price for the stock options	$	17.10

Expected volatility – Based on the historical volatility of share price for similar companies.

Risk-free interest rate – Based on the U. S. Treasury yield curve and expected life of the options at the time of grant.

Dividend yield – Madison County Financial, Inc. paid, at the time of valuation, an annual dividend of $0.28 per share.

(Dollars in thousands, except share and per share data)

Expected life – Based on average of the five-year and seven-year vesting periods and the ten year contractual term of the stock option plan.

Exercise price for the stock options – Based on the closing price of the Company's stock on the date of grant.

Restricted Stock Awards

Restricted stock awards are accounted for as fixed grants using the fair value of the Company's stock at the time of the grant. Unvested restricted stock awards may not be disposed of or transferred during the vesting period. Restricted stock awards carry with them the right to receive dividends.

The table below represents the restricted stock award activity for the periods shown:

	Service-Based Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2015	95,800	$ 17.10
Granted	-	-
Vested	(14,840)	17.10
Forfeited	(1,530)	17.10
Non-vested at September 30, 2015	79,430	$ 17.10
Non-vested at January 1, 2014	-	$ -
Granted	115,000	17.10
Vested	(14,840)	17.10
Forfeited	-	-
Non-vested at September 30, 2014	100,160	$ 17.10

As of September 30, 2015, the Company had $1,116 of unrecognized compensation expense related to restricted stock awards. The cost of the restricted stock awards will be amortized in monthly installments over the five-year and seven-year vesting periods. Restricted stock expense for the three and nine months ended September 30, 2015 and 2014 was $86, $267, $88 and $468, respectively.

Note 8: Recent Accounting Pronouncements

The Company is an emerging growth company and as such will be subject to the effective dates noted for the private companies if they differ from the effective dates noted for public companies.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," to require presentation in the financial statements of an unrecognized tax benefit or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward, except as follows. When an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or when the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Adoption of the ASU did not 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 annual periods beginning after December 31, 2014, and interim periods within annual periods beginning after December 15, 2015. Adoption of the ASU did not have a significant effect on the Company's consolidated financial statements.

In January 2014, the FASB issued 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 annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Adoption of the ASU did not have a significant effect on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update seeks to better define the groups of assets which qualify for discontinued operations, in order to ease the burden and cost for prepares and stakeholders. This issue changed "the criteria for reporting discontinued operations" and related reporting requirements, including the provision for disclosures about the "disposal of and individually significant component of an entity that does not qualify for discontinued operations presentation." The amendments in this Update are effective for fiscal years beginning after December 15, 2014. Early adoption is permitted only for disposals or classifications as held for sale. Adoption of this ASU did not have a significant effect on the Company's financial position or results of operations.

In May 2014, the FASB, in joint cooperation with IASB, issued ASU 2014-09, *Revenue from Contracts with Customers*. The topic of Revenue Recognition had become broad, with several other regulatory agencies issuing standards which lacked cohesion. The new guidance establishes a "common framework" and "reduces the number of requirements to which an entity must consider in recognizing revenue" and yet provides improved disclosures to assist stakeholders reviewing financial statements. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing*. This update addresses the concerns of stakeholders' by changing the accounting practices surrounding repurchase agreements. The new guidance changes the "accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements." The amendments in this Update are effective for annual reporting periods beginning after December 15, 2014. Early adoption is prohibited. Adoption of this ASU did not have a material effect on the Company's financial position or results of operations.

In June 2014, the FASB issued ASU 2014-12, *Compensation – Stock Compensation*. This update defines the accounting treatment for share-based payments and "resolves the diverse accounting treatment of those awards in practice." The new requirement mandates that "a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition." Compensation cost will now be recognized in the period in which it becomes likely that the performance target will be met. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In August 2014, the FASB issued ASU 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*. The objective of this Update is to reduce diversity in practice by addressing the classification of foreclosed mortgage loans that are fully or partially guaranteed under government programs. Currently, some creditors reclassify those loans to real estate as with other foreclosed loans that do not have guarantees; others reclassify the loans to other receivables. The amendments affect creditors that hold government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA. The amendments in this Update are effective for annual reporting periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. An entity should adopt the amendments in this Update using either a prospective transition method or a modified retrospective transition method. For prospective transition, an entity should apply the amendments in this Update to foreclosures that occur after the date of adoption. For the modified retrospective transition, an entity should apply the amendments in the Update by means of a cumulative-effect adjustment (through a reclassification to a separate other receivable) as of the beginning of the annual period of adoption. Prior periods should not be adjusted. However, a reporting entity must apply the same method of transition as elected under ASU No. 2014-04. Early adoption, including adoption in an interim period, is permitted if the entity already has adopted Update 2014-04. The Company will adopt this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The Update provides U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this Update are effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company will adopt this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In January 2015, the FASB issued ASU 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. The objective of this Update is to simplify the income statement presentation requirements in Subtopic 225-20 by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies income statement presentation by altogether removing the concept of extraordinary items from consideration. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company will adopt this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In May 2015, the FASB issued 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This Update addresses the diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized; the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company will adopt this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

Note 9: Subsequent Events - Entry Into Material Agreements

Acquisition of Winside Bancshares Incorporated

On October 12, 2015, the Company completed its acquisition of Winside Bancshares Incorporated ("Winside Bancshares"), the holding company of Winside State Bank, a Nebraska-chartered bank, with its sole banking office located in Winside, Nebraska. The acquisition was consummated pursuant to the Agreement and Plan of Merger by and between the Company and Winside Bancshares dated May 12, 2015 (the "Merger Agreement"), by way of a merger of Winside Bancshares with and into the Company with the Company as the surviving corporation in the merger (the "Merger"). In connection with the Merger, Winside State Bank was merged with and into the Bank with the Bank as the surviving institution. Winside State Bank's office will become a branch office of the Bank.
At the effective time of the Merger, each share of common stock of Winside Bancshares was converted into the right to receive 143.61 shares of Company common stock, with cash paid in lieu of fractional shares. Based upon the 1,370 outstanding shares of Winside Bancshares, at the effective time of the Merger, the Company issued 196,745 shares of its common stock for 100% of the common stock of Winside Bancshares.

Winside Bancshares was closely held by three shareholders: David J. Warnemunde, President and Chief Executive Officer of the Company and the Bank; David D. Warnemunde, a director of the Company and the Bank and the father of David J. Warnemunde; and Nancy Warnemunde, the spouse of David D. Warnemunde and the mother of David J. Warnemunde.

Stock Purchase Agreement with Warnemunde Insurance & Real Estate Agency, Inc.

On October 12, 2015, the Company also consummated the acquisition of 100% of the outstanding common stock of Warnemunde Insurance & Real Estate Agency, Inc. (the "Agency"), a licensed insurance agency engaged in the business of property and casualty and life insurance with its office located in the banking office of Winside State Bank (the "Agency Acquisition") pursuant to a Stock Purchase Agreement dated May 12, 2015 (the "Agency Acquisition Agreement").

The Agency was not a subsidiary of either Winside Bancshares or Winside State Bank. The Agency was owned by David D. Warnemunde and Nancy Warnemunde. The Company contributed the stock of the Agency to the Bank so that the Agency has become a wholly owned subsidiary of the Bank.

At the effective time of the Agency Acquisition, each share of common stock of the Agency was converted into the right to receive 344.67 shares of Company common stock. Based upon the 100 outstanding shares of the Agency, at the effective time of the Agency Acquisition, the Company issued 34,467 shares of its common stock for 100% of the common stock of the Agency.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Management's discussion and analysis of the financial condition and results of operations at and for three and nine months ended September 30, 2015 and 2014 is intended to assist in understanding the financial condition and results of operations of the Company on a consolidated basis. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing in Part I, Item 1 of this quarterly report on Form 10-Q.

Madison County Financial, Inc.
Form 10-Q
(Dollars in thousands)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this quarterly report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in government policy towards farming subsidies, and especially towards the production of ethanol which is highly dependent upon #2 Yellow Corn, the primary commodity produced in our market area;
- competition among depository and other financial institutions;
- our success in continuing to emphasize agricultural real estate and agricultural and commercial non-real estate loans;
- changes in the interest rate environment that reduce our margins or reduce the fair value of our financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in deposit insurance premiums, regulatory fees and capital requirements, which increase our compliance costs;
- our ability to enter new markets successfully and capitalize on growth opportunities;

- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- loan delinquencies and changes in the underlying cash flows of our borrowers;
- changes in our financial condition or results of operations that reduce capital available to pay dividends; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in Madison County Financial, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on March 27, 2015.

Comparison of Financial Condition at September 30, 2015 and December 31, 2014

Total assets increased $10.2 million, or 3.3%, to $324.6 million at September 30, 2015, from $314.3 million at December 31, 2014. The increase was due primarily to increases in investment securities classified as available for sale, investment securities classified as held to maturity and net loans, offset by a decrease in cash and cash equivalents.

Total cash and cash equivalents decreased $2.0 million, or 45.2%, to $2.4 million at September 30, 2015 from $4.4 million at December 31, 2014. This was due primarily to an $8.1 million increase in securities, a $2.1 million increase in net loans receivable, and a $4.0 million decrease in borrowings, offset by a $10.5 million increase in deposits.

Net loans increased $2.1 million, or 0.9%, to $248.2 million at September 30, 2015 from $246.1 million at December 31, 2014. Agricultural real estate loans increased $5.8 million, or 4.8%, to $126.2 million at September 30, 2015, from $120.4 million at December 31, 2014, resulting from continued agricultural real estate purchases by our existing customers, and the addition of new agricultural real estate borrowers. Commercial and multi-family real estate loans increased $988,000, or 5.2%, to $20.0 million at September 30, 2015, from $19.1 million at December 31, 2014, resulting from the addition of new commercial and multi-family borrowers. One- to-four family real estate increased $361,000, or 0.9%, to $42.5 million at September 30, 2015 from $41.7 million at December 31, 2014. Agricultural and commercial non-real estate loans decreased $4.6 million, or 6.7%, to $63.5 million at September 30, 2015, from $68.0 million at December 31, 2014. The decrease in agricultural non-real estate loans resulted from seasonal loan pay-downs relating primarily to the cash flow cycle of our farming customers.

Investment securities classified as available for sale increased $1.4 million, or 14.5%, to $10.9 million at September 30, 2015, from $9.5 million at December 31, 2014. Investment securities classified as held to maturity increased $6.8 million, or 19.9%, to $40.8 million at September 30, 2015, from $34.0 million at December 31, 2014. Cashflow for these investments was provided by maturities and calls of investment securities, and an increase in deposits.

Accrued interest receivable on investment securities, certificates of deposit owned and loans decreased $925,000, or 21.7%, to $5.2 million at September 30, 2015, from $4.3 million at December 31, 2014, due primarily to the timing of interest payments due on our loans.

Deposits increased $10.5 million, or 5.0%, to $220.5 million at September 30, 2015 from $210.0 million at December 31, 2014, due primarily to a net increase in core deposits and a slight increase in certificates of deposit. Interest-bearing checking and money market savings accounts increased $8.0 million, or 6.8%, and $4.1 million, or 8.5%, respectively, and noninterest-bearing checking accounts decreased $1.8 million, or 9.3%. This net increase in our core deposits was due primarily to the cash flow cycle of our farming customers and an overall increase in the number of accounts. Certificates and time deposits increased $138,000, or 0.5%, to $25.4 million at September 30, 2015, from $25.3 million at December 31, 2014.

We borrow periodically from the Federal Home Loan Bank of Topeka ("FHLB-Topeka") and the Federal Reserve Bank of Kansas City ("FRB-Kansas City"), and, as needed, to a lesser extent from the Bankers' Bank of the West. Our borrowings decreased $4.0 million, or 10.0%, to $35.8 million at September 30, 2015, from $39.8 million at December 31, 2014, resulting from a $1.2 million decrease in advances and a $2.8 million decrease in short-term borrowings. We continue to utilize borrowings as an alternative funding source, and our borrowings from the FHLB-Topeka generally consist of advances with laddered terms of up to 10 years and our borrowings from the FRB-Kansas City are short-term borrowings under our Line of Credit.

Total stockholders' equity increased $2.3 million, or 3.7%, to $63.8 million at September 30, 2015, from $61.5 million at December 31, 2014. The increase resulted primarily from net income of $2.5 million, offset by $686,000 in dividends declared and paid on outstanding shares (other than unallocated ESOP shares) and $364,000 in additional paid-in capital related to stock compensation expense for grants of options and restricted stock.

Comparison of Operating Results for the Three Months Ended September 30, 2015 and 2014

General. Net income increased $70,000, or 8.0%, to $949,000 for the three months ended September 30, 2015, from $879,000 for the three months ended September 30, 2014. The increase was due primarily from increases in interest income and noninterest income and a decrease in provision for loan losses, offset by increases in interest expense and noninterest expense.

Interest and Dividend Income. Interest and dividend income increased $287,000, or 9.1%, to $3.4 million for the quarter ended September 30, 2015, from $3.2 million for the quarter ended September 30, 2014. The increase reflected an increase in average interest-earning assets to $308.6 million for the 2015 quarter compared to $278.8 million for the 2014 quarter, offset by a decrease in the average yield on interest-earning assets to 4.43% during the 2015 quarter from 4.49% during the 2014 quarter.

Interest income and fees on loans increased $226,000, or 8.1%, to $3.0 million for the three months ended September 30, 2015, from $2.8 million for the three months ended September 30, 2014. This was a result of a $24.8 million increase in average loans outstanding, to $256.0 million for the quarter ended September 30, 2015, from $231.2 million for the quarter ending September 30, 2014, offset by a decrease in the average yield on loans to 4.67% during the 2015 quarter from 4.79% during the 2014 quarter. Interest income on non-taxable investment securities increased $43,000, or 16.1%, to $310,000 for the 2015 quarter from $267,000 for the 2014 quarter, reflecting a $4.2 million increase in the average balance of these securities to $36.6 million for the quarter ended September 30, 2015, from $32.3 million for the quarter ended September 30, 2014, and an increase in the average yield on such securities to 3.27% from 3.36%, quarter to quarter.

Interest Expense. Interest expense increased $1,000, or 0.2%, to $455,000 for the three months ended September 30, 2015, from $454,000 for the three months ended September 30, 2014, reflecting a 10 basis point decrease in the average rate paid on interest-bearing liabilities during the 2015 quarter to 0.76% compared to 0.86% during the 2014 quarter. This was offset by an increase in the average balance of interest-bearing liabilities of $27.2 million, or 13.0%, to $237.4 million for the quarter ending September 30, 2015, from $210.2 million for the quarter ending September 30, 2014.

Interest expense on interest-bearing deposits increased $17,000, or 4.4%, to $405,000 for the quarter ended September 30, 2015, from $388,000 for the quarter ended September 30, 2014, as the average balance of these deposits increased to $204.6 million for the 2015 quarter from $197.8 million for the 2014 quarter. Interest expense on borrowings decreased $16,000, or 24.2%, to $50,000 for the three months ended September 30, 2015 from $66,000 for the three months ended September 30, 2014, reflecting a decrease in the rate paid on borrowings to 0.61% from 2.12%, quarter to quarter, offset by an increase in the average balance of borrowings to $32.8 million for the 2015 quarter from $12.4 million for the 2014 quarter.

Net Interest Income. Net interest income increased $286,000, or 10.6%, to $3.0 million for the three months ended September 30, 2015, from $2.7 million for the three months ended September 30, 2014. This increase reflected a $2.5 million increase in our average net interest-earning assets, to $71.1 million for the 2015 quarter from $68.6 million for the 2014 quarter. The increase in our average net interest-earning assets resulted primarily from the reinvestment of cash and earnings into loans and investment securities. The ratio of our average interest-earning assets to average interest-bearing liabilities decreased to 130.0% for the 2015 quarter from 132.6% for the 2014 quarter. There was a slight decrease in the net interest margin, to 3.84% for the 2015 quarter from 3.85% for the 2014 quarter, reflecting a 6 basis point decrease in the average yield on our interest-earning assets, offset by a 10 basis point decrease in the average cost of our interest-bearing liabilities, quarter to quarter.

Provision for Loan Losses. We recorded a provision for loan losses of $315,000 for the three months ended September 30, 2015, which was a decrease of $45,000, or 12.5%, from our provision of $360,000 for the three months ended September 30, 2014. The decrease in our provision resulted from various factors which necessitated adjustments in the allowance for loan losses.

Agricultural real estate loans comprised 50.8% of net loans receivable at September 30, 2015, and management believes that an asset bubble in agricultural real estate formed due to the increase in the farmland prices at a double-digit rate over the past several years and the corresponding decline noted in 2013 and 2014 in gross operating income on most farming operations. In addition, there are no longer any ethanol subsidies paid by the Federal Government. Furthermore, in October, 2013 the Environmental Protection Agency issued a proposed rule reducing the federal government ethanol blending mandate, which proposal, if enacted would substantially decrease the volume of ethanol required to be blended in the nation's fuel supply and would have a negative effect on the demand for #2 Yellow Corn, our market area's most important agricultural commodity. This would, in turn, have a negative effect on the market price of corn, which would reduce our farm customers' farming income and their ability to pay loans owed to us which could in turn result in loss to Madison County Bank and increase the likelihood of Chapter 12 Bankruptcy treatment relating to loans owed to us. On May 29, 2015, the Environmental Protection Agency released its three year proposed ethanol mandate, increasing the amount of biofuel to be mixed in the gasoline supply, but at levels still below those set by law. Moreover, the Agricultural Act of 2014 was signed into law on February 7, 2014 and the most significant change to farm programs in this Act is the elimination of a subsidy known as "direct payments." These payments, about $5 billion a year, were paid to farmers as a supplement to farm income to ensure safe, affordable and abundant food for the nation's people. The elimination of these direct payments is a major event in the evolution of Federal farm programs and increases the likelihood of reduced farm income for our customers, which would reduce their ability to pay loans to us, which could in turn result in loss to Madison County Bank and increase the likelihood of Chapter 12 Bankruptcy treatment relating to the loans owed to us. The elimination of "direct payments" was taken into account by the Company's management as part of the methodology for estimating allowances.

The provision for loan losses for the three months ended September 30, 2015 and 2014 reflected no charge-offs or recoveries. The allowance for loan losses was $8.4 million, or 3.3% of total loans, at September 30, 2015 compared to $7.1 million, or 2.9% of total loans, at September 30, 2014. Total nonperforming loans were $579,000 at September 30, 2015, compared to $829,000 at September 30, 2014. As a percentage of nonperforming loans, the allowance for loan losses was 1,456% at September 30, 2015 compared to 857% at September 30, 2014.

Other Income. Other income increased $20,000, or 3.6%, to $575,000 for the three months ended September 30, 2015, from $555,000 for the three months ended September 30, 2014. The increase was due primarily to a $22,000 increase in gain on sale of loans, resulting from an increase in the volume of loans sold, quarter to quarter.

Other Expense. Other expense increased $171,000, or 10.0%, to $1.9 million for the three months ended September 30, 2015, from $1.7 million for the three months ended September 30, 2014, due primarily to a $74,000 increase in salaries and employee benefits, due to normal annual salary increases, a $19,000 increase in data processing fees, a $27,000 in supplies, and a $42,000 increase in other expenses, reflecting certain attorney fees, professional fees and other pre-merger costs associated with the merger agreement that was entered into on May 12, 2015, pursuant to which the Company acquired Winside Bancshares Incorporated ("Winside Bancshares"), the parent company of Winside State Bank, a Nebraska-chartered bank, effective October 12, 2015 and also acquired an insurance agency pursuant to a stock purchase agreement.

Income Tax Expense. The provision for income taxes was $419,000 for the three months ended September 30, 2015, compared to $309,000 for the three months ended September 30, 2014, resulting primarily from higher pre-tax income, offset by an increase in tax-exempt income. Our effective tax rate was 30.6% for the quarter ended September 30, 2015, compared to 26.1% for the quarter ended September 30, 2014.

Comparison of Operating Results for the Nine Months Ended September 30, 2015 and 2014

General. Net income increased $327,000, or 15.0%, to $2.5 million for the nine months ended September 30, 2015, from $2.2 million for the nine months ended September 30, 2014. The increase was due primarily from increases in interest income and noninterest income, offset by an increase in interest expense, provision for loan losses, noninterest expense and income tax expense during the 2015 period.

Interest and Dividend Income. Interest and dividend income increased $719,000, or 7.7%, to $10.0 million for the period ended September 30, 2015, from $9.3 million for the period ended September 30, 2014. The increase reflected an increase in average interest-earning assets to $301.5 million for the 2015 period compared to $277.0 million for the 2014 period, offset by a decrease in the average yield on interest-earning assets to 4.44% during the 2015 period from 4.49% during the 2014 period.

Interest income and fees on loans increased $599,000, or 7.3%, to $8.8 million for the nine months ended September 30, 2015, from $8.2 million for the nine months ended September 30, 2014. This was a result of a $24.4 million increase in average loans outstanding, to $252.1 million for the period ended September 30, 2015, from $227.7 million for the period ending September 30, 2014, offset by a 15 basis point decrease in the average yield on loans to 4.67% during the 2015 period from 4.82% during the 2014 period. Interest income on non-taxable investment securities increased $82,000, or 10.4%, to $870,000 for the 2015 period from $788,000 for the 2014 period, reflecting a $2.1 million increase in the average balance of these securities to $34.2 million for the period ended September 30, 2015, from $32.1 million for the period ended September 30, 2014, and an increase in the average yield on such securities to 3.40% from 3.28%, period to period.

Interest Expense. Interest expense on interest-bearing deposits increased $38,000, or 3.3%, to $1.2 million for the period ended September 30, 2015, from $1.2 million for the period ended September 30, 2014, as the average balance of these deposits increased to $204.1 million for the 2015 period from $197.8 million for the 2014 period. Interest expense on borrowings decreased $33,000, or 18.0%, to $150,000 for the nine months ended September 30, 2015 from $183,000 for the nine months ended September 30, 2014, reflecting a decrease in the rate paid on borrowings to 0.79% from 2.41%, period to period, offset by an increase in the average balance of borrowings to $25.5 million for the 2015 period from $10.1 million for the 2014 period. The decrease in the rate paid on borrowings reflected a larger percentage of short-term borrowings, to $20.2 million for the 2015 period from $2.6 million for the 2014 period.

Net Interest Income. Net interest income increased $714,000, or 9.0%, to $8.7 million for the nine months ended September 30, 2015, from $8.0 million for the nine months ended September 30, 2014. This increase reflected a $2.8 million increase in our average net interest-earning assets, to $71.9 million for the 2015 period from $69.1 million for the 2014 period and an increase in our net interest margin to 3.85% for the 2015 period from 3.84% for the 2014 period. The increase in our average net interest-earning assets resulted primarily from the reinvestment of cash and earnings into loans and investment securities. The ratio of our average interest-earning assets to average interest-bearing liabilities decreased to 131.3% for the 2015 period from 133.2% for the 2014 period. The increase in our net interest margin reflected an 8 basis point decrease in the average cost of our interest-bearing liabilities, period to period, offset by a 5 basis point decrease in the average yield on our interest-earning assets.

Provision for Loan Losses. We recorded a provision for loan losses of $1.0 million for the nine months ended September 30, 2015, which was an increase of $85,000, or 9.1%, from our provision of $930,000 for the nine months ended September 30, 2014. The increase in our provision resulted from various factors which necessitated upward adjustments in the allowance for loan losses.

Agricultural real estate loans comprised 50.8% of net loans receivable at September 30, 2015, and management believes that an asset bubble in agricultural real estate formed due to the increase in the farmland prices at a double-digit rate over the past several years and the corresponding decline noted in 2013 and 2014 in gross operating income on most farming operations. In addition, there are no longer any ethanol subsidies paid by the Federal Government. Furthermore, in October, 2013 the Environmental Protection Agency issued a proposed rule reducing the federal government ethanol blending mandate, which proposal, if enacted would substantially decrease the volume of ethanol required to be blended in the nation's fuel supply and would have a negative effect on the demand for #2 Yellow Corn, our market area's most important agricultural commodity. This would, in turn, have a negative effect on the market price of corn, which would reduce our farm customers' farming income and their ability to pay loans owed to us which could in turn result in loss to Madison County Bank and increase the likelihood of Chapter 12 Bankruptcy treatment relating to loans owed to us. On May 29, 2015, the Environmental Protection Agency released its three year proposed ethanol mandate, increasing the amount of biofuel to be mixed in the gasoline supply, but at levels still below those set by law. Moreover, the Agricultural Act of 2014 was signed into law on February 7, 2014 and the most significant change to farm programs in this Act is the elimination of a subsidy known as "direct payments." These payments, about $5 billion a year, were paid to farmers as a supplement to farm income to ensure safe, affordable and abundant food for the nation's people. The elimination of these direct payments is a major event in the evolution of Federal farm programs and increases the likelihood of reduced farm income for our customers, which would reduce their ability to pay loans to us, which could in turn result in loss to Madison County Bank and increase the likelihood of Chapter 12 Bankruptcy treatment relating to the loans owed to us. The elimination of "direct payments" was taken into account by the Company's management as part of the methodology for estimating allowances.

The provision for loan losses for the nine months ended September 30, 2015 reflected recoveries of $3,000 and no charge-offs. The provision for loan losses for the nine months ended September 30, 2014, reflected no charge-offs or recoveries. The allowance for loan losses was $8.4 million, or 3.3% of total loans, at September 30, 2015 compared to $7.1 million, or 2.9% of total loans, at September 30, 2014. Total nonperforming loans were $579,000 at September 30, 2015, compared to $829,000 at September 30, 2014. As a percentage of nonperforming loans, the allowance for loan losses was 1,456% at September 30, 2015, compared to 857% at September 30, 2014.

Other Income. Other income increased $218,000, or 15.9%, to $1.6 million for the nine months ended September 30, 2015, from $1.4 million for the nine months ended September 30, 2014. The increase was due primarily to a $191,000 increase in gain on sale of loans, resulting from an increase in the volume of loans sold, period to period, and a $33,000 increase in insurance commission income, offset by a $16,000 decrease in service charges on deposit accounts and a $19,000 decrease in net loan servicing income.

Other Expense. Other expense increased $295,000, or 5.3%, to $5.8 million for the nine months ended September 30, 2015, from $5.5 million for the nine months ended September 30, 2014, due primarily to a $272,000 increase in salaries and employee benefits, due to normal annual salary increases and a $162,000 increase in professional and service fees, reflecting certain attorney fees, professional fees and other pre-merger costs associated with the merger agreement that was entered into on May 12, 2015, pursuant to which the Company acquired Winside Bancshares Incorporated ("Winside Bancshares"), the parent company of Winside State Bank, a Nebraska-chartered bank on October 12, 2015 and also acquired an insurance agency on such date. The increases were offset by a $263,000 decrease in director fees and benefits. Stock-based compensation expense was higher in 2014 due to the implementation of our equity-based incentive plan and the immediate vesting of certain equity-based incentives for directors.

Income Tax Expense. The provision for income taxes was $920,000 for the nine months ended September 30, 2015, compared to $695,000 for the nine months ended September 30, 2014, resulting primarily from an increase in pretax income, offset by an increase in tax-exempt income. Our effective tax rate was 26.9% for the period ended September 30, 2015, compared to 24.2% for the period ended September 30, 2014.

Liquidity and Capital Resources

Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from sales of loans, proceeds from maturities and calls of securities, advances from the Federal Home Loan Bank-Topeka and borrowings from the Federal Reserve Bank of Kansas City, and to a lesser extent from the Bankers' Bank of the West, and other income including income from our insurance agency subsidiary. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments including interest-bearing demand deposits. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. Additionally, we historically have experienced significant increases in our deposits during the first and second calendar quarters of each year as a result of our farm customers depositing proceeds from the sale of agricultural commodities during this period. Similarly, our borrowings have historically increased during the fourth calendar quarter of each year in response to increased loan demand from our farm customers during this period, many of whom purchase their crop production supplies (seed, fertilizer, fuel and chemicals) during October through December.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $2.7 million and $2.5 million for the nine months ended September 30, 2015 and 2014, respectively. Net cash used in investing activities, which consists primarily of net change in loans receivable and net change in purchases of/proceeds from maturities of investment securities was $10.4 million and $12.3 million for the nine months ended September 30, 2015 and 2014, respectively, principally due to an increase in loans receivable and the purchases of investment securities in excess of maturities offset by the redemption of FHLB Stock. Net cash provided by financing activities, which is comprised of net change in deposits and proceeds from and repayment of borrowings and dividends paid, was $5.7 million and $7.9 million for the nine months ended September 30, 2015 and 2014, respectively, and resulted primarily from a decrease in short-term borrowings and the repayment of FHLB advances, offset by an increase in deposits.

At September 30, 2015, we exceeded all of our regulatory capital requirements with a Tier 1 (core) capital level of $55.7 million, or 16.2% of adjusted total assets, which is above the required level of $19.2 million, or 6.0%; and total risk-based capital of $60.0 million, or 17.4% of risk-weighted assets, which is above the required level of $25.6 million, or 8.0%. Accordingly Madison County Bank was categorized as well capitalized at September 30, 2015. Management is not aware of any conditions or events since the most recent notification that would change our category.

In July 2013, the OCC and the other federal bank regulatory agencies issued a final rule that revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more and top-tier savings and loan holding companies. Among other things, the rule established a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increased the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigned a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also required unrealized gains and losses on certain “available-for-sale” securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised, which the Bank exercised. The rule limits a banking organization’s capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule became effective for the Bank on January 1, 2015, and did not have a significant effect on the Bank’s minimum capital requirements. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective.

At September 30, 2015, we had outstanding commitments to originate loans of $25.4 million and lines of credit of $22.5 million. We anticipate that we will have sufficient funds available to meet our current loan origination commitments. Certificates of deposit that are scheduled to mature in less than one year from September 30, 2015 totaled $17.5 million. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank of Topeka advances or Federal Reserve Bank of Kansas City borrowings or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is a smaller reporting company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company’s management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2015. Based on that evaluation, the Company’s management, including the President and Chief Executive Officer and the Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were effective.

During the quarter ended September 30, 2015, there have been no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

We are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank’s or the Registrant’s financial condition or results of operations.

Item 1A. Risk Factors

Not applicable, as the Registrant is a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no sales of unregistered securities during the period covered by this Report.

(b) Not applicable.

(c) The Company’s board of directors has authorized three stock repurchase programs for an aggregate of 413,835 shares of the Company’s issued common stock. Under the first stock repurchase program, which was approved on September 16, 2013, the Company was authorized to repurchase up to 159,653 shares of the Company’s issued common stock, commencing on or after October 3, 2013, the one year anniversary of the consummation of the Company’s initial public offering. The first stock repurchase program was completed during the first quarter of 2014.

On November 13, 2013, a second repurchase program was approved, which authorized the repurchase up to 160,000 shares of the Company’s issued common stock. The second stock repurchase program was completed during the fourth quarter of 2014.

On May 19, 2014, a third repurchase program was approved, which authorized the repurchase of up to 94,182 shares of the Company’s issued common stock.

(Dollars in thousands)

Under each repurchase program, repurchases were or will be conducted through open market purchases, which may include purchases under a trading plan adopted pursuant to SEC Rule 10b5-1, or through privately negotiated transactions. Repurchases will be made from time to time, depending on market conditions and other factors. There is no guarantee as to the exact number of shares to be repurchased by the Company.

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the third quarter of 2015.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2015 through July 31, 2015	-	-	72,763
August 1, 2015 through August 31, 2015	500	$ 19.75	72,263
September 1, 2015 through September 30, 2015	700	$ 20.25	71,563
Total	1,200	$ 20.04	71,563

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements 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.

	Madison County Financial, Inc.
Date: November 12, 2015	/s/ David J. Warnemunde David J. Warnemunde President and Chief Executive Officer
Date: November 12, 2015	/s/ Brenda L. Borchers Brenda L. Borchers Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David J. Warnemunde, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison County Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2015

/s/ David J. Warnemunde
David J. Warnemunde
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brenda L. Borchers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madison County Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2015

/s/ Brenda L. Borchers
Brenda L. Borchers
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

David J. Warnemunde, President and Chief Executive Officer of Madison County Financial, Inc., (the "Company") and Brenda L. Borchers, Chief Financial Officer of the Company, each certify in his and her capacity as an officer of the Company that he/she has reviewed the quarterly report on Form 10-Q for the quarter ended September 30, 2015 (the "Report") and that to the best of his/her knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2015	/s/ David J. Warnemunde David J. Warnemunde President and Chief Executive Officer
Date: November 12, 2015	/s/ Brenda L. Borchers Brenda L. Borchers Chief Financial Officer