ENTERPRISE PRODUCTS PARTNERS L P
Form 4
August 04, 2006

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DUNCAN DAN L

(Last) (First) (Middle)

SUITE 1800, 1100 LOUISIANA STREET

(Street)

HOUSTON, TX 77002

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ENTERPRISE PRODUCTS PARTNERS L P [EPD]

3. Date of Earliest Transaction (Month/Day/Year)
08/02/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Units Representing Limited Partnership Interests								118,078,425	I (1)	By DFIDH (2)
Common Units Representing Limited Partnership								5,918,200	I (3)	By 1998 Trust

Interests			
Common Units Representing Limited Partnership Interests	6,077,470	I (3)	By 2000 Trust
Common Units Representing Limited Partnership Interests	13,454,498	I (4)	By EGPH
Common Units Representing Limited Partnership Interests	856,100	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Underlying (Instr. 3 and
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Employee Unit Options-Obligation to Sell #98-62 (5) (6) (7) (8)	$ 21.15	08/02/2006		M(9)		20,000		08/05/2004	08/05/2011	Common Units

Reporting Owners

Reporting Owner Name / Address	Relationships

	Director	10% Owner	Officer	Other
DUNCAN DAN L SUITE 1800 1100 LOUISIANA STREET HOUSTON, TX 77002	X	X	Chairman	
EPCO, Inc. 2707 NORTH LOOP WEST HOUSTON, TX 77008		X		
DUNCAN FAMILY INTERESTS, INC. 103 FOULK ROAD, SUITE 200 WILMINGTON, DE 19803				DFI Delaware General, LLC
DFI DELAWARE GENERAL, LLC 103 FOULK ROAD, SUITE 200 WILMINGTON, DE 19803				DFI Delaware Holdings L.P.
DFI DELAWARE HOLDINGS L.P. 103 FOULK ROAD, SUITE 200 WILMINGTON, DE 19803		X		

Signatures

William L. Soula, Attorney-in-Fact on behalf of Dan L. Duncan, Duncan Family Interests, Inc., DFI Delaware General, LLC, and DFI Delaware Holdings L.P. and Assistant Secretary of EPCO, Inc.	08/04/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These Common Units are owned by DFI Delaware Holdings L.P. ("DFIDH"), an indirect, wholly-owned subsidiary of EPCO, Inc. ("EPCO"). Dan L. Duncan owns 50.427% of the voting stock of EPCO.

(2) DFIDH is an indirect, wholly-owned subsidiary of Duncan Family Interests, Inc. ("DFI"), which is an indirect, wholly-owned subsidary of EPCO. The general partner of DFIDH, DFI Delaware General, LLC, and the sole limited partner of DFIDH, DFI Delaware Limited, LLC, are both wholly-owned subsidiaries of DFI.

(3) EPCO is the grantor of the Duncan Family 1998 Trust (the "1998 Trust"); and EPCO is the grantor of the Duncan Family 2000 Trust (the "2000 Trust"). These trusts were established to acquire and hold Common Units of the issuer.

(4) These Common Units are owned by Enterprise GP Holdings L.P. ("EGPH"), an 81.49% limited partnership interest in which is owned by DFI and a 4.27% limited partnership interest in which is owned by Dan Duncan LLC ("Duncan LLC"). The 0.01% general partner of EGPH is EPE Holdings, LLC, a wholly-owned subisidary of Duncan LLC. Dan L. Duncan is the sole member of Duncan LLC.

(5) Options are issued under the Enterprise Products 1998 Employee Unit Option Plan to employees of EPCO and outside directors of the issuer's general partner and are exercisable for Common Units on a one-for-one basis. DAN L. DUNCAN HOLDS NO OPTIONS IN THE ISSUER'S SECURITIES.

(6) Options have exercise prices ranging from $7.75 to $26.95.

(7) Options have exercise dates ranging from April 16, 2002 through May 1, 2010

(8) Options have expiration dates ranging from September 30, 2009 through May 1, 2016

(9) Options exercised by an employee of EPCO who IS NOT a Section 16 officer of the issuer's general partner.

(10) The powers of attorney under which this form was signed are on file with the Commission

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Commercial Non Real Estate

Commercial and industrial

35,652 285 543

Public Sector and IDA

States and political subdivisions

51,335 --- ---

Consumer Non Real Estate

Credit cards

5,773 --- ---

Automobile

12,414 102 138

Other consumer

11,359 31 28

Total

$592,323 $6,144 $6,071

Sales, Purchases and Reclassification of Loans

The Company finances mortgages under “best efforts” contracts with mortgage purchasers. The mortgages are designated as held for sale upon initiation. There have been no reclassifications from portfolio loans to held for sale. There have been no loans held for sale transferred to portfolio loans. Occasionally, the Company purchases or sells participations in loans. All participation loans purchased met the Company’s normal underwriting standards at the time the participation was entered. Participation loans are included in the appropriate portfolio balances to which the allowance methodology is applied.

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Troubled Debt Restructurings

From time to time the Company modifies loans in troubled debt restructurings. Total troubled debt restructurings amounted to $8,563 at September 30, 2016, $13,453 at December 31, 2015, and $11,861 at September 30, 2015.

The following table presents restructurings by class that were identified during the three month period ended September 30, 2016.

	Restructurings That Occurred During the Three Months Ended September 30, 2016		
	Number of Contracts	Pre-Modification Outstanding Principal Balance	Post-Modification Outstanding Principal Balance
Commercial Non Real Estate			
Commercial and industrial	1	$ 28	$ 30
Consumer Non Real Estate			
Automobile	1	5	5
Total	2	$ 33	$ 35

During the three month period ended September 30, 2016, the Company identified one commercial non-real estate loan and one automobile loan modified in troubled debt restructurings. The modifications provided payment relief by extending the maturity date and capitalizing interest. The loans are in nonaccrual status. The loans are collateral dependent and the fair value is measured using the collateral method. Impairment measurement did not result in a specific allocation for any of the four restructured loans.

The Company did not modify any loans in troubled debt restructures during the three months ended September 30, 2015.

The following tables present restructurings by class that occurred during the nine month periods ended September 30, 2016 and 2015.

	Restructurings That Occurred During the Nine Months Ended September 30, 2016		
	Number of Contracts	Pre-Modification Outstanding Principal Balance	Post-Modification Outstanding Principal Balance
Commercial Real Estate			
Commercial real estate, other	**2**	**$ 3,008**	**$ 3,008**
Commercial Non Real Estate			
Commercial and industrial	**1**	**28**	**30**
Consumer Non Real Estate			
Automobile	**1**	**5**	**5**
Total	**4**	**$ 3,041**	**$ 3,043**

In addition to the loans identified as troubled debt restructures during the three month period ended September, 30, 2016, the Company identified two other loans as troubled debt restructures during the first six months of 2016. Two commercial real estate loans restructured during the second quarter of 2016 were originally modified in troubled debt restructurings in 2014 to provide payment relief by lowering the interest rate and allowing interest-only payments. The restructurings completed in 2016 lowered the interest rate from the 2014 restructured terms and returned the loans to amortization with payments of principal and interest. The loans were in nonaccrual status prior to the 2016 restructuring and will remain in nonaccrual until they have met the Company's policy to return to accrual status. The loans are collateral dependent and the fair value is measured using the collateral method. Impairment measurement did not result in a specific allocation.

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	Restructurings That Occurred During the Nine Months Ended September 30, 2015		
	Number of Contracts	Pre-Modification Outstanding Principal Balance	Post-Modification Outstanding Principal Balance
Commercial Real Estate			
Commercial real estate, owner occupied	1	$ 994	$ 907
Total	1	$ 994	$ 907

During the nine month period ended September 30, 2015, the Company restructured 1 loan to provide payment relief. The restructuring provided payment relief by forgiving principal of $100, capitalizing interest and re-amortizing payments. As of September 30, 2015, the restructured loan was in nonaccrual status. The fair value measurement of the restructured loan as of September 30, 2015 resulted in no specific allocation to the allowance for loan losses.

The Company analyzed its TDR portfolio for loans that defaulted during the nine month periods ended September 30, 2016 and September 30, 2015, and that were modified within 12 months prior to default. The Company defines default as one or more payments that occur more than 90 days past the due date, charge-offs, or foreclosure after the date of restructuring. There were no restructured loans that defaulted that were modified within 12 months prior to default for the nine month periods ended September 30, 2016 and 2015.

Note 5: Securities

The amortized costs, gross unrealized gains, gross unrealized losses and fair values for securities available for sale by major security type are as follows.

	September 30, 2016			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Available for Sale:				
U.S. Government agencies and corporations	**$268,925**	**$ 2,038**	**$ 253**	**$270,710**
States and political subdivisions	**12,572**	**352**	**---**	**12,924**
Mortgage-backed securities	**932**	**103**	**---**	**1,035**
Corporate debt securities	**6,016**	**440**	**---**	**6,456**

Other securities	**189**	**---**	**37**	**152**
Total securities available for sale	**$288,634**	**$ 2,933**	**$ 290**	**$291,277**

	December 31, 2015			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Available for Sale:				
U.S. Government agencies and corporations	$216,897	$ 519	$ 4,952	$212,464
States and political subdivisions	15,934	541	---	16,475
Mortgage-backed securities	1,199	120	---	1,319
Corporate debt securities	6,015	22	291	5,746
Other securities	189	---	62	127
Total securities available for sale	$240,234	$ 1,202	$ 5,305	$236,131

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The amortized cost and fair value of single maturity securities available for sale at September 30, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities included in these totals are categorized by final maturity.

	September 30, 2016	
	Amortized Cost	**Fair Value**
Available for Sale:		
Due in one year or less	**$1,980**	**$2,009**
Due after one year through five years	**192,986**	**193,116**
Due after give years through ten years	**67,113**	**67,335**
Due after ten years	**26,366**	**28,665**
No maturity	**189**	**152**
Total securities available for sale	**$288,634**	**$291,277**

The Company holds restricted stock with the Federal Home Loan Bank and the Federal Reserve. Required ownership amounts are determined by the correspondent banks and the Company purchases stock from or sells stock back to the correspondents based on their calculations. The stock is held by member institutions only and is not actively traded. The Company held restricted stock of $1,170 as of September 30, 2016 and $1,129 as of December 31, 2015.

The amortized costs, gross unrealized gains, gross unrealized losses and fair values for securities held to maturity by major security type are as follows.

	September 30, 2016			
	Amortized Costs	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Values**
Held to Maturity:				
U.S. Government agencies and corporations	**$3,934**	**$ 401**	**$ ---**	**$4,335**
States and political subdivisions	**132,409**	**6,781**	**25**	**139,165**
Mortgage-backed securities	**281**	**35**	**---**	**316**
Corporate debt securities	**1,423**	**39**	**---**	**1,462**
Total securities held to maturity	**$138,047**	**$ 7,256**	**$ 25**	**$145,278**

	December 31, 2015			
	Amortized Costs	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Values**
Held to Maturity:				

U.S. Government agencies and corporations	$13,909	$ 288	$ 177	$14,020
States and political subdivisions	136,373	6,179	330	142,222
Mortgage-backed securities	327	36	---	363
Corporate debt securities	1,419	10	2	1,427
Total securities held to maturity	$152,028	$ 6,513	$ 509	$158,032

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The amortized cost and fair value of single maturity securities held to maturity at September 30, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities included in these totals are categorized by final maturity.

	September 30, 2016	
	Amortized Cost	**Fair Value**
Held to maturity:		
Due in one year or less	**$2,813**	**$2,871**
Due after one year through five years	**24,020**	**25,525**
Due after give years through ten years	**16,370**	**17,264**
Due after ten years	**94,844**	**99,618**
Total securities held to maturity	**$138,047**	**$145,278**

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows.

	September 30, 2016			
	Less Than 12 Months		**12 Months or More**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Temporarily Impaired Securities:				
U.S. Government agencies and corporations	**$90,723**	**$ 253**	**$---**	**$ ---**
States and political subdivisions	**780**	**1**	**1,440**	**24**
Other securities	**---**	**---**	**152**	**37**
Total	**$91,503**	**$ 254**	**$1,592**	**$ 61**

	December 31, 2015			
	Less Than 12 Months		**12 Months or More**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Temporarily Impaired Securities:				
U.S. Government agencies and corporations	$88,255	$ 1,800	$84,959	$ 3,329
States and political subdivisions	3,449	24	10,161	306
Corporate debt securities	4,974	292	200	1
Other securities	---	---	127	62
Total	$96,678	$ 2,116	$95,447	$ 3,698

The Company had 95 securities with a fair value of $93,095 that were temporarily impaired at September 30, 2016. The total unrealized loss on these securities was $315. Of the temporarily impaired total, 3 securities with a fair value of $1,592 and an unrealized loss of $61 have been in a continuous loss position for twelve months or more. The Company has determined that these securities are temporarily impaired at September 30, 2016 for the reasons set out below.

States and political subdivisions. This category's unrealized losses of $24 on 2 securities with a fair value of $1,440 are primarily the result of interest rate and market fluctuations. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. The Company purchases only investment-grade bonds with a Moody or Standard and Poor's rating of A or better, and that comply with regulatory requirements. Bond ratings are monitored on an ongoing basis. Municipal obligations that experience a decline in credit rating are analyzed to determine appropriate action and accounting treatment. The company performs an analysis each quarter to determine whether any investments are other-than-temporarily impaired. Because the Company does not intend to sell any of the investments and it is not likely that the Company will be required to sell any of the investments before recovery of its amortized cost basis, which may be at maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Other securities. The Company holds a small investment in community bank stock. One security with a fair value of $152 has an unrealized loss of $37. The value of this investment has been negatively affected by market conditions. Because the Company does not intend to sell this investment before recovery of its amortized cost basis, the Company does not consider this investment to be other-than-temporarily impaired.

Restricted stock. Restricted stock is reported separately from available-for-sale securities and held-to-maturity securities. As a member of the Federal Reserve and the Federal Home Loan Bank ("FHLB") of Atlanta, NBB is required to maintain certain minimum investments in the common stock of those entities. Required levels of investment are based upon NBB's capital and a percentage of qualifying assets. In addition, NBB is eligible to borrow from the FHLB with borrowings collateralized by qualifying assets, primarily residential mortgage loans and NBB's capital stock investment in the FHLB. Redemption of FHLB stock is subject to certain limitations and conditions. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based upon the ultimate recoverability of the cost basis of the FHLB stock, and at September 30, 2016, management did not determine any impairment.

Management regularly monitors the credit quality of the investment portfolio. Changes in ratings are noted and follow-up research on the issuer is undertaken when warranted. Management intends to carefully monitor any changes in bond quality.

Note 6: Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This update is intended to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management is required under the new guidance to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued when preparing financial statements for each interim and annual reporting period. If conditions or events are identified, the ASU specifies the process that must be followed by management and also clarifies the timing and content of going concern footnote disclosures in order to reduce diversity in practice. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of ASU 2014-15 to have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in ASU 2016-01, among other things: 1) Requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. 2) Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 3) Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables). 4) Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently assessing the impact that ASU 2016-01 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is currently assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

During March 2016, the FASB issued ASU No. 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.” The amendments in this ASU clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria remain intact. The amendments are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-05 to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, “Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting.” The amendments in this ASU eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. In addition, the amendments in this ASU require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Early Adoption is permitted. The Company does not expect the adoption of ASU 2016-07 to have a material impact on its consolidated financial statements.

During March 2016, the FASB issued ASU No. 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Shares-Based Payment Accounting.” The amendments in this ASU simplify several aspects of the accounting for share-based payment award transactions including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for public companies for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not expect the adoption of ASU 2016-09 to have a material impact on its consolidated financial statements.

During June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this ASU are effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For public companies that are not SEC filers, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements.

During August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments”, to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied using a retrospective transition method to each period presented. If retrospective application is impractical for some of the issues addressed by the update, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

Note 7: Defined Benefit Plan

Components of Net Periodic Benefit Cost

	Pension Benefits Nine Months Ended September 30,	
	2016	**2015**
Service cost	**$522**	$465
Interest cost	**567**	501
Expected return on plan assets	**(816)**	(876)
Amortization of prior service cost	**(81)**	(81)
Recognized net actuarial loss	**429**	312
Net periodic benefit cost	**$621**	$321

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2016 Plan Year Employer Contribution

For the nine months ended September 30, 2016, the Company contributed $811 to the Plan.

Note 8: Fair Value Measurements

The Company records fair value adjustments to certain assets and liabilities and determines fair value disclosures utilizing a definition of fair value of assets and liabilities that states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Additional considerations come into play in determining the fair value of assets in markets that are not active.

The Company uses a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 –	Valuation is based on quoted prices in active markets for identical assets and liabilities.
Level 2 –	Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.
Level 3 –	Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the Company to measure certain assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Securities Available for Sale

Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2). The carrying value of restricted Federal Reserve Bank and Federal Home Loan

Bank stock approximates fair value based upon the redemption provisions of each entity and is therefore excluded from the following table.

		Fair Value Measurements at September 30, 2016 Using		
Description	**Balance as of September 30, 2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Government agencies and corporations	$ 270,710	$---	$ 270,710	$ ---
States and political subdivisions	12,924	---	12,924	---
Mortgage-backed securities	1,035	---	1,035	---
Corporate debt securities	6,456	---	6,456	---
Other securities	152	---	152	---
Total securities available for sale	$ 291,277	$---	$ 291,277	$ ---

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Description	Balance as of December 31, 2015	Fair Value Measurements at December 31, 2015 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government agencies and corporations	$ 212,464	$---	$ 212,464	$ ---
States and political subdivisions	16,475	---	16,475	---
Mortgage-backed securities	1,319	---	1,319	---
Corporate debt securities	5,746	---	5,746	---
Other securities	127	---	127	---
Total securities available for sale	$ 236,131	$---	$ 236,131	$ ---

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements.

Loans Held for Sale

Loans held for sale are carried at the lower of cost or fair value. These loans currently consist of one-to-four family residential loans originated for sale in the secondary market. Fair value is based on the price secondary markets offer at the report date for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). As such, the Company records any fair value adjustments on a nonrecurring basis. No nonrecurring fair value adjustments were recorded on loans held for sale at September 30, 2016 or December 31, 2015.

Impaired Loans

Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due will not be collected when due according to the contractual terms of the loan agreement. Troubled debt restructurings are impaired loans. Impaired loans are measured at fair value on a nonrecurring basis. If an individually-evaluated impaired loan's balance exceeds fair value, the amount is allocated to the allowance for loan losses. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Consolidated Statements of Income.

The fair value of an impaired loan and measurement of associated loss is based on one of three methods: the observable market price of the loan, the present value of projected cash flows, or the fair value of the collateral. The observable market price of a loan is categorized as a Level 1 input. The present value of projected cash flows method results in a Level 3 categorization because the calculation relies on the Company's judgment to determine projected cash flows, which are then discounted at the current rate of the loan, or the rate prior to modification if the loan is a troubled debt restructure.

Loans measured using the fair value of collateral method may be categorized in Level 2 or Level 3. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. Most collateral is real estate. The Company bases collateral method fair valuation upon the "as-is" value of independent appraisals or evaluations. Valuations for impaired loans with outstanding principal balances of $250 or more are based on a current appraisal. Appraisals are also used to value impaired loans with principal balances of $100 or greater and secured by one piece of collateral. Collateral-method impaired loans with principal balances below $100, or if secured by multiple pieces of collateral, below $250, are valued using an internal evaluation.

The value of real estate collateral is determined by a current (less than 12 months of age) appraisal or internal evaluation utilizing an income or market valuation approach. Appraisals conducted by an independent, licensed appraiser outside of the Company using observable market data are categorized as Level 2. If a current appraisal cannot be obtained prior to a reporting date and an existing appraisal is discounted to obtain an estimated value, or if declines in value are identified after the date of the appraisal, or if an appraisal is discounted for estimated selling costs, the valuation of real estate collateral is categorized as Level 3. Valuations derived from internal evaluations are categorized as Level 3. The value of business equipment is based upon an outside appraisal (Level 2) if deemed significant, or the net book value on the applicable business' financial statements (Level 3) if not considered significant. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3).

Impaired loans are measured quarterly for impairment. The Company employs the most applicable valuation method for each loan based on current information at the time of valuation. Valuations of loans using the collateral method may include a discount for selling costs if collection of the loan is expected to come from sale of the collateral. Fair value measurement using the collateral method for a loan that is dependent on the operation, but not the sale, of collateral for collection is not discounted for selling costs.

The following table summarizes the Company's impaired loans that were measured at fair value on a nonrecurring basis at September 30, 2016 and at December 31, 2015.

			Carrying Value		
Date	**Description**	**Balance**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	Assets:				
September 30, 2016	Impaired loans net of valuation allowance	**$ 593**			**$ 593**
December 31, 2015	Impaired loans net of valuation allowance	2,328	---	---	2,328

The following tables present information about Level 3 Fair Value Measurements for September 30, 2016 and December 31, 2015.

September 30, 2016	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Impaired loans	Present value of cash flows	Market rate for borrower (discount rate)	6.75% – 7.25% (7.04%)

December 31, 2015	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Impaired loans	Present value of cash flows	Discount rate	6.00% – 7.38% (6.56%)

<u>Other Real Estate Owned</u>

Other real estate owned are real estate assets acquired in full or partial satisfaction of a loan. At acquisition, other real estate owned assets are measured at fair value. If the assets are marketed for sale by an outside party, the acquisition-date fair value is discounted by selling costs; if the assets are marketed for sale by the Company, no reduction to fair value for selling costs is made. Subsequent to acquisition, the assets are measured at the lower of initial measurement or current fair value, discounted for selling costs as appropriate.

The fair value of an other real estate owned asset is determined by an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data (Level 2). If the appraisal is discounted either for age or because management considers the real estate market to be experiencing volatility, then the fair value is considered Level 3. Discounts for selling costs also result in measurement based on Level 3 inputs. Fair value adjustments are measured on a nonrecurring basis and are recorded in the period incurred as valuation allowances to other real estate owned, and expensed through noninterest expense.

The following table summarizes the Company's other real estate owned that was measured at fair value on a nonrecurring basis.

			Carrying Value		
Date	**Description**	**Balance**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	Assets:				
September 30, 2016	Other real estate owned net of valuation allowance	**$ 3,188**			**$ 3,188**
December 31, 2015	Other real estate owned net of valuation allowance	4,165	---	---	4,165

The following tables present information about Level 3 Fair Value Measurements for September 30, 2016 and December 31, 2015.

September 30, 2016	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Other real estate owned	Discounted appraised value	Selling cost	0%[1] – 8.60% (5.76%)
Other real estate owned	Discounted appraised value	Discount for lack of marketability and age of appraisal	0% – 53.46% (10.19%)

December 31, 2015	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average)**
Other real estate owned	Discounted appraised value	Selling cost	0%[1] –10.00% (5.89%)
Other real estate owned	Discounted appraised value	Discount for lack of marketability and age of appraisal	0% – –50.01% (10.16%)

(1)

The Company markets other real estate owned both independently and with local realtors. Properties marketed by realtors are discounted by selling costs. Properties that the Company markets independently are not discounted by selling costs.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments.

Cash and Due from Banks and Interest-Bearing Deposits

The carrying amounts approximate fair value.

Securities

The fair value of securities, excluding restricted stock, is determined by quoted market prices or dealer quotes. The fair value of certain state and municipal securities is not readily available through market sources other than dealer quotations, so fair value estimates are based on quoted market prices of similar instruments adjusted for differences between the quoted instruments and the instruments being valued. The carrying value of restricted securities approximates fair value based upon the redemption provisions of the applicable entities.

Loans Held for Sale

The fair value of loans held for sale is based on commitments on hand from investors or prevailing market prices.

Loans

Fair value for the loan portfolio is estimated on an account-level basis by discounting scheduled cash flows through the projected maturity for each loan. The calculation applies estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimate of maturity is based on the Company's historical experience with repayments for loan classification, modified by an estimate of the effect of economic conditions on lending.

Explanation of Responses:

Impaired loans are individually evaluated for fair value. Fair value for the Company’s impaired loans is estimated by using either discounted cash flows or the appraised value of collateral. Any amount of principal balance that exceeds fair value is accrued in the allowance for loan losses. Assumptions regarding credit risk, cash flows and discount rates are determined within management’s judgment, using available market information and specific borrower information. Discount rates for cash flow analysis are based on the loan’s interest rate, and cash flows are estimated based upon the loan’s historical payment performance and the borrower’s current financial condition. Appraisals may be discounted for age, reasonableness, and selling costs.

Deposits

The fair value of demand and savings deposits is the amount payable on demand. The fair value of fixed maturity term deposits and certificates of deposit is estimated using the rates currently offered for deposits with similar remaining maturities.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Bank-Owned Life Insurance

Bank owned life insurance represents insurance policies on officers of the Company and certain officers who are no longer employed by the Company. The cash values of the policies are estimates using information provided by insurance carriers. These policies are carried at their cash surrender value, which approximates the fair value.

Commitments to Extend Credit and Standby Letters of Credit

The only amounts recorded for commitments to extend credit, standby letters of credit and financial guarantees written are the deferred fees arising from these unrecognized financial instruments. These deferred fees are not deemed significant at September 30, 2016 and December 31, 2015, and, as such, the related fair values have not been estimated.

The estimated fair values and related carrying amounts of the Company's financial instruments follow.

	September 30, 2016			
	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 due from banks	$11,302	$ 11,302	$ ---	$ ---
Interest-bearing deposits	80,170	80,170	---	---
Securities	429,324	---	436,555	---
Restricted securities	1,170	---	1,170	---
Mortgage loans held for sale	434	---	434	---
Loans, net	627,940	---	---	642,859
Accrued interest receivable	5,138	---	5,138	---
Bank-owned life insurance	22,848	---	22,848	---
Financial Liabilities:				
Deposits	$1,010,008	$ ---	$ 834,219	$ 174,388
Accrued interest payable	48	---	48	---

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	December 31, 2015			
	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 due from banks	$12,152	$12,152	$ ---	$ ---
Interest-bearing deposits	130,811	130,811	---	---
Securities	388,159	---	394,163	---
Restricted securities	1,129	---	1,129	---
Mortgage loans held for sale	634	---	634	---
Loans, net	610,711	---	---	