

JUNIATA VALLEY FINANCIAL CORP
Form 10-Q
August 09, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from _____ to _____

Commission File Number 000-13232

Juniata Valley Financial Corp.

(Exact name of registrant as specified in its charter)

Edgar Filing: JUNIATA VALLEY FINANCIAL CORP - Form 10-Q

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2235254
(I.R.S. Employer
Identification No.)

**Bridge and Main Streets,
Mifflintown, Pennsylvania**
(Address of principal executive offices)

17059
(Zip Code)

(717) 436-8211

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 8, 2012
Common Stock (\$1.00 par value)	4,237,711 shares

Table of Contents

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	
<u>Consolidated Statements of Financial Condition as of June 30, 2012 and December 31, 2011 (Unaudited)</u>	3
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	5
<u>Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	6
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	33
<u>Item 4. Controls and Procedures</u>	35

PART II - OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	36
<u>Item 1A. Risk Factors</u>	36
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3. Defaults upon Senior Securities</u>	36
<u>Item 4. Mine Safety Disclosures</u>	36
<u>Item 5. Other Information</u>	36
<u>Item 6. Exhibits</u>	37
<u>Signatures</u>	37

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Juniata Valley Financial Corp. and Subsidiary****Consolidated Statements of Financial Condition**

(Unaudited, in thousands, except share data)

	June 30, 2012	December 31, 2011
<u>ASSETS</u>		
Cash and due from banks	\$ 10,387	\$ 12,074
Interest bearing deposits with banks	14,215	2,100
Cash and cash equivalents	24,602	14,174
Interest bearing time deposits with banks	1,096	1,096
Securities available for sale	125,223	111,281
Restricted investment in Federal Home Loan Bank (FHLB) stock	1,534	1,700
Investment in unconsolidated subsidiary	3,888	3,796
Total loans	280,442	289,681
Less: Allowance for loan losses	(3,933)	(2,931)
Total loans, net of allowance for loan losses	276,509	286,750
Premises and equipment, net	6,542	6,710
Other real estate owned	516	427
Bank owned life insurance and annuities	14,155	14,069
Equity investment in low income housing project	1,317	393
Core deposit intangible	187	209
Goodwill	2,046	2,046
Accrued interest receivable and other assets	4,982	4,782
Total assets	\$ 462,597	\$ 447,433
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 65,055	\$ 64,751
Interest bearing	337,423	321,914
Total deposits	402,478	386,665
Securities sold under agreements to repurchase	3,075	3,500
Other interest bearing liabilities	1,271	1,244
Accrued interest payable and other liabilities	5,939	6,304
Total liabilities	412,763	397,713
Stockholders Equity:		
Preferred stock, no par value:		
Authorized 500,000 shares, none issued		
Common stock, par value \$1.00 per share:		
Authorized 20,000,000 shares		

Edgar Filing: JUNIATA VALLEY FINANCIAL CORP - Form 10-Q

Issued 4,745,826 shares		
Outstanding -		
4,237,711 shares at June 30, 2012;		
4,228,218 shares at December 31, 2011	4,746	4,746
Surplus	18,334	18,363
Retained earnings	38,671	38,900
Accumulated other comprehensive loss	(2,068)	(2,256)
Cost of common stock in Treasury:		
508,115 shares at June 30, 2012;		
517,608 shares at December 31, 2011	(9,849)	(10,033)
Total stockholders equity	49,834	49,720
Total liabilities and stockholders equity	\$ 462,597	\$ 447,433

See accompanying notes to consolidated financial statements.

Table of Contents**Juniata Valley Financial Corp. and Subsidiary****Consolidated Statements of Income**

(Unaudited)

(in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest income:				
Loans, including fees	\$ 4,074	\$ 4,484	\$ 8,269	\$ 9,076
Taxable securities	337	313	667	566
Tax-exempt securities	186	234	364	467
Federal funds sold		2		4
Other interest income	8	7	16	15
Total interest income	4,605	5,040	9,316	10,128
Interest expense:				
Deposits	918	1,191	1,883	2,366
Securities sold under agreements to repurchase			1	1
Other interest bearing liabilities	6	7	12	14
Total interest expense	924	1,198	1,896	2,381
Net interest income	3,681	3,842	7,420	7,747
Provision for loan losses	69	116	1,177	204
Net interest income after provision for loan losses	3,612	3,726	6,243	7,543
Non-interest income:				
Trust fees	114	94	220	207
Customer service fees	321	349	634	661
Debit card fee income	205	206	409	399
Earnings on bank-owned life insurance and annuities	105	124	211	243
Commissions from sales of non-deposit products	73	65	160	168
Income from unconsolidated subsidiary	61	66	118	131
Gain on sale or call of securities	2	1	2	6
Gain from life insurance proceeds	53		53	
Other non-interest income	261	97	430	196
Total non-interest income	1,195	1,002	2,237	2,011
Non-interest expense:				
Employee compensation expense	1,289	1,337	2,567	2,592
Employee benefits	478	423	1,013	824
Occupancy	229	252	458	495
Equipment	126	146	259	301
Data processing expense	354	337	710	659
Director compensation	60	70	119	147
Professional fees	93	91	181	230

Edgar Filing: JUNIATA VALLEY FINANCIAL CORP - Form 10-Q

Taxes, other than income	113	124	231	251
FDIC Insurance premiums	81	85	160	218
Loss (gain) on sales of other real estate owned	(3)	1	(1)	(14)
Amortization of intangibles	11	11	22	22
Other non-interest expense	389	423	746	738
Total non-interest expense	3,220	3,300	6,465	6,463
Income before income taxes	1,587	1,428	2,015	3,091
Provision for income taxes	372	337	382	761
Net income	\$ 1,215	\$ 1,091	\$ 1,633	\$ 2,330
Earnings per share				
Basic	\$ 0.29	\$ 0.26	\$ 0.39	\$ 0.55
Diluted	\$ 0.29	\$ 0.26	\$ 0.39	\$ 0.55
Cash dividends declared per share	\$ 0.22	\$ 0.21	\$ 0.44	\$ 0.42
Weighted average basic shares outstanding	4,231,690	4,237,886	4,229,954	4,246,884
Weighted average diluted shares outstanding	4,234,321	4,240,781	4,232,842	4,249,900

See accompanying notes to consolidated financial statements.

Table of Contents

Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Comprehensive Income

(Unaudited, in thousands)

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	\$ 1,587	\$ 372	\$ 1,215	\$ 1,428	\$ 337	\$ 1,091
Other comprehensive income:						
Unrealized gains on available for sale securities:						
Unrealized gains arising during the period	163	57	106	588	200	388
Unrealized gains from unconsolidated subsidiary				3		3
Less reclassification adjustment for gains included in net income	(2)	(1)	(1)	(1)		(1)
Change in pension liability	74	25	49	39	13	26
Other comprehensive income	235	81	154	629	213	416
Total comprehensive income	\$ 1,822	\$ 453	\$ 1,369	\$ 2,057	\$ 550	\$ 1,507

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	\$ 2,015	\$ 382	\$ 1,633	\$ 3,091	\$ 761	\$ 2,330
Other comprehensive income:						
Unrealized gains (losses) on available for sale securities:						
Unrealized gains arising during the period	141	49	92	408	138	270
Unrealized gains (losses) from unconsolidated subsidiary	(1)		(1)	5		5
Less reclassification adjustment for gains included in net income	(2)	(1)	(1)	(6)	(2)	(4)
Change in pension liability	148	50	98	79	27	52
Other comprehensive income	286	98	188	486	163	323
Total comprehensive income	\$ 2,301	\$ 480	\$ 1,821	\$ 3,577	\$ 924	\$ 2,653

See accompanying notes to consolidated financial statements.

Table of Contents**Juniata Valley Financial Corp. and Subsidiary****Consolidated Statements of Changes in Stockholders Equity**

(Unaudited)

(in thousands, except share data)

	Six Months Ended June 30, 2012				Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings			
Balance at January 1, 2012	4,228,218	\$ 4,746	\$ 18,363	\$ 38,900	\$ (2,256)	\$ (10,033)	\$ 49,720
Net income				1,633			1,633
Other comprehensive income					188		188
Cash dividends at \$0.44 per share				(1,862)			(1,862)
Stock-based compensation activity			11				11
Treasury stock issued for stock option and stock purchase plans	9,493		(40)			184	144
Balance at June 30, 2012	4,237,711	\$ 4,746	\$ 18,334	\$ 38,671	\$ (2,068)	\$ (9,849)	\$ 49,834

	Six Months Ended June 30, 2012				Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings			
Balance at January 1, 2011	4,257,765	\$ 4,746	\$ 18,354	\$ 37,868	\$ (1,465)	\$ (9,527)	\$ 49,976
Net income				2,330			2,330
Other comprehensive income					323		323
Cash dividends at \$0.42 per share				(1,784)			(1,784)
Stock-based compensation			12				12
Purchase of treasury stock	(24,500)					(417)	(417)
Treasury stock issued for stock option and stock purchase plans	2,903		(10)			56	46
Balance at June 30, 2011	4,236,168	\$ 4,746	\$ 18,356	\$ 38,414	\$ (1,142)	\$ (9,888)	\$ 50,486

See accompanying notes to consolidated financial statements.

Table of Contents**Juniata Valley Financial Corp. and Subsidiary****Consolidated Statements of Cash Flows**

(Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2012	2011
Operating activities:		
Net income	\$ 1,633	\$ 2,330
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,177	204
Depreciation	265	302
Net amortization of securities premiums	195	175
Net amortization of loan origination costs	4	26
Deferred net loan origination fees (costs)	(22)	3
Amortization of core deposit intangible	22	22
Net realized gains on sales or calls of securities	(2)	(6)
Net gains on sales of other real estate owned	(1)	(14)
Earnings on bank owned life insurance and annuities	(211)	(243)
Deferred income tax expense (benefit)	(184)	