

SUSSEX BANCORP
Form 10-Q
August 12, 2016
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
OF 1934

For the quarterly period ended June 30, 2016

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 0-29030

SUSSEX BANCORP
(Exact name of registrant as specified in its charter)

New Jersey

22-3475473

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

100 Enterprise Drive, Suite 700, Rockaway, NJ 07866
(Address of principal executive offices) (Zip Code)

(844) 256-7328
(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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x 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 Smaller reporting company x
(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

As of August 5, 2016 there were 4,741,249 shares of common stock, no par value, outstanding.

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FORWARD-LOOKING STATEMENTS

We may, from time to time, make written or oral “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (the “SEC”), our reports to shareholders and in other communications by us. This Report on Form 10-Q contains “forward-looking statements” which may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operation and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

- changes in the interest rate environment that reduce margins;
- changes in the regulatory environment;
- the highly competitive industry and market area in which we operate;
- general economic conditions, either nationally or regionally, resulting in, among other things, a deterioration in credit quality;
- changes in business conditions and inflation;
- changes in credit market conditions;
- changes in the securities markets which affect investment management revenues;
- increases in Federal Deposit Insurance Corporation (“FDIC”) deposit insurance premiums and assessments could adversely affect our financial condition;
- changes in technology used in the banking business;
- the soundness of other financial services institutions which may adversely affect our credit risk;
- our controls and procedures may fail or be circumvented;
- new lines of business or new products and services which may subject us to additional risks;
- changes in key management personnel which may adversely impact our operations;
- the effect on our operations of recent legislative and regulatory initiatives that were or may be enacted in response to the ongoing financial crisis;
- severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact our business; and
- other factors detailed from time to time in our filings with the SEC.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

SUSSEX BANCORP

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)	June 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$4,431	\$ 2,914
Interest-bearing deposits with other banks	7,874	3,206
Cash and cash equivalents	12,305	6,120
Interest bearing time deposits with other banks	100	100
Securities available for sale, at fair value	94,797	93,776
Securities held to maturity, at amortized cost (fair value of \$5,929 and \$7,008 at June 30, 2016 and December 31, 2015, respectively)	5,660	6,834
Federal Home Loan Bank Stock, at cost	6,268	5,165
Loans receivable, net of unearned income	640,187	543,423
Less: allowance for loan losses	5,988	5,590
Net loans receivable	634,199	537,833
Foreclosed real estate	3,002	3,354
Premises and equipment, net	9,092	8,879
Accrued interest receivable	2,366	1,764
Goodwill	2,820	2,820
Bank-owned life insurance	12,675	12,524
Other assets	6,528	5,334
Total Assets	\$789,812	\$ 684,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$120,992	\$ 87,209
Interest bearing	473,832	430,647
Total deposits	594,824	517,856
Short-term borrowings	52,875	34,650
Long-term borrowings	66,000	61,000
Accrued interest payable and other liabilities	6,340	4,169
Junior subordinated debentures	12,887	12,887
Total Liabilities	732,926	630,562
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	—	—
Common stock, no par value, 10,000,000 shares authorized; 4,741,617 and 4,705,480 shares issued and 4,680,697 and 4,646,238 shares outstanding at June 30, 2016 and December 31, 2015, respectively	36,141	35,927
	(616) (592
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Treasury stock, at cost; 60,920 and 59,242 shares at June 30, 2016 and December 31, 2015, respectively

Retained earnings	20,831	18,520
Accumulated other comprehensive income	530	86
Total Stockholders' Equity	56,886	53,941
Total Liabilities and Stockholders' Equity	\$789,812	\$ 684,503

See Notes to Consolidated Financial Statements

SUSSEX BANCORP

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Three Months Six Months
 Ended June 30, Ended June 30,

(Dollars in thousands except per share data)	2016	2015	2016	2015
INTEREST INCOME				
Loans receivable, including fees	\$6,459	\$5,275	\$12,604	\$10,447
Securities:				
Taxable	344	302	720	569
Tax-exempt	190	221	391	429
Interest bearing deposits	6	3	10	7
Total Interest Income	6,999	5,801	13,725	11,452
INTEREST EXPENSE				
Deposits	636	438	1,211	854
Borrowings	448	380	885	760
Junior subordinated debentures	98			