

JUNIATA VALLEY FINANCIAL CORP
Form 10-Q
November 07, 2008

**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 September 30, 2008

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)

Pennsylvania

23-2235254

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Bridge and Main Streets, Mifflintown, Pennsylvania

17059

(Address of principal executive offices)

(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 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 Smaller reporting company
(Do not check if a 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 November 7, 2008

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Common Stock (\$1.00 par value)

4,341,055 shares

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

(Unaudited, Dollar amounts in thousands, except share data)

	September 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	\$ 12,037	\$ 12,254
Interest bearing deposits with banks	20	770
Federal funds sold		7,500
Cash and cash equivalents	12,057	20,524
Interest bearing time deposits with banks	5,325	5,525
Securities available for sale	72,050	67,056
Restricted investment in Federal Home Loan Bank (FHLB) stock	1,827	1,095
Investment in unconsolidated subsidiary	3,124	2,972
Total loans, net of unearned interest	317,093	298,000
Less: Allowance for loan losses	(2,541)	(2,322)
Total loans, net of allowance for loan losses	314,552	295,678
Premises and equipment, net	7,399	7,272
Bank owned life insurance and annuities	12,499	12,344
Core deposit intangible	355	389
Goodwill	2,046	2,046
Accrued interest receivable and other assets	6,479	5,245
Total assets	\$ 437,713	\$ 420,146
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 52,145	\$ 48,755
Interest bearing	311,727	310,702
Total deposits	363,872	359,457
Securities sold under agreements to repurchase	6,178	5,431
Short-term borrowings	7,000	
Long-term debt	5,000	
Other interest bearing liabilities	1,075	1,037
Accrued interest payable and other liabilities	6,063	5,649
Total liabilities	389,188	371,574
Stockholders Equity:		
Preferred stock, no par value:		
Authorized 500,000 shares, none issued		

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Common stock, par value \$1.00 per share:

Authorized 20,000,000 shares

Issued 4,745,826 shares

Outstanding

4,341,055 shares at September 30, 2008;

4,409,445 shares at December 31, 2007

Surplus

Retained earnings

Accumulated other comprehensive loss

Cost of common stock in Treasury:

404,771 shares at September 30, 2008;

336,381 shares at December 31, 2007

Total stockholders equity

Total liabilities and stockholders equity

	4,746	4,746
	18,320	18,297
	34,109	32,755
	(554)	(557)
	(8,096)	(6,669)
	48,525	48,572
	\$ 437,713	\$ 420,146

See accompanying notes to consolidated financial statements.

Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Income
(Unaudited, Dollar amounts in thousands, except share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Interest income:				
Loans, including fees	\$ 5,559	\$ 5,756	\$ 16,582	\$ 17,109
Taxable securities	437	671	1,277	1,784
Tax-exempt securities	281	235	809	598
Federal funds sold	9	72	123	268
Other interest income	59	64	200	190
Total interest income	6,345	6,798	18,991	19,949
Interest expense:				
Deposits	2,183	2,770	6,923	8,061
Securities sold under agreements to repurchase	22	80	66	214
Short-term borrowings	5		6	
Long-term debt	5		5	
Other interest bearing liabilities	8	10	24	29
Total interest expense	2,223	2,860	7,024	8,304
Net interest income	4,122	3,938	11,967	11,645
Provision for loan losses	147		291	90
Net interest income after provision for loan losses	3,975	3,938	11,676	11,555
Noninterest income:				
Trust fees	95	130	312	353
Customer service fees	433	408	1,239	1,216
Earnings on bank-owned life insurance and annuities	146	113	382	334
Commissions from sales of non-deposit products	158	180	541	550
Income from unconsolidated subsidiary	59	52	152	136
Securities impairment charge			(393)	(33)
Gain (loss) on sale of securities	(8)	22	33	14
Gain (loss) on sales of other assets	(1)	2	52	1
Gain from life insurance proceeds			179	
Other noninterest income	221	203	660	558
Total noninterest income	1,103	1,110	3,157	3,129
Noninterest expense:				
Employee compensation expense	1,297	1,351	3,854	3,841
Employee benefits	362	353	1,054	1,105

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Occupancy	222	204	694	660
Equipment	189	174	545	518
Data processing expense	361	336	1,032	991
Director compensation	113	118	340	353
Professional fees	112	115	281	329
Taxes, other than income	128	133	388	419
Amortization of intangibles	11	11	34	34
Other noninterest expense	303	296	862	881
Total noninterest expense	3,098	3,091	9,084	9,131
Income before income taxes	1,980	1,957	5,749	5,553
Provision for income taxes	529	538	1,499	1,541
Net income	\$ 1,451	\$ 1,419	\$ 4,250	\$ 4,012
Earnings per share				
Basic	\$ 0.33	\$ 0.32	\$ 0.97	\$ 0.90
Diluted	\$ 0.33	\$ 0.32	\$ 0.97	\$ 0.90
Cash dividends declared per share	\$ 0.19	\$ 0.18	\$ 0.55	\$ 0.77
Weighted average basic shares outstanding	4,369,736	4,434,120	4,387,836	4,440,561
Weighted average diluted shares outstanding	4,377,457	4,443,228	4,395,331	4,449,952

See accompanying notes to consolidated financial statements.

Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(Amounts in thousands, except share data)

Nine Months Ended September 30, 2008

	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2007	4,409,445	\$ 4,746	\$ 18,297	\$ 32,755	\$ (557)	\$ (6,669)	\$ 48,572
Comprehensive income:							
Net income				4,250			4,250
Change in unrealized losses on securities available for sale, net of reclassification adjustment and tax effects					3		3
Total comprehensive income							4,253
Implementation of EITF 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements (Note B)				(480)			(480)
Cash dividends at \$0.55 per share				(2,416)			(2,416)
Stock-based compensation activity			36				36
Purchase of treasury stock, at cost	(72,955)					(1,518)	(1,518)
Treasury stock issued for stock option and stock purchase plans	4,565		(13)			91	78
	4,341,055	\$ 4,746	\$ 18,320	\$ 34,109	\$ (554)	\$ (8,096)	\$ 48,525

**Balance at
September 30, 2008**

	Nine Months Ended September 30, 2007						
	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2006	4,457,934	\$ 4,746	\$ 18,259	\$ 31,531	\$ (1,098)	\$ (5,652)	\$ 47,786
Comprehensive income:							
Net income				4,012			4,012
Change in unrealized losses on securities available for sale, net of reclassification adjustment and tax effects					155		155
Total comprehensive income							4,167
Cash dividends at \$0.77 per share				(3,417)			(3,417)
Stock-based compensation activity			30				30
Purchase of treasury stock, at cost	(26,500)					(557)	(557)
Treasury stock issued for stock option and stock purchase plans	2,686		(5)			52	47
Balance at September 30, 2007	4,434,120	\$ 4,746	\$ 18,284	\$ 32,126	\$ (943)	\$ (6,157)	\$ 48,056

See accompanying notes to consolidated financial statements.

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

(Unaudited)

(Amounts in thousands)

	Nine Months Ended September	
	30,	
	2008	2007
Operating activities:		
Net income	\$ 4,250	\$ 4,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	291	90
Provision for depreciation	532	486
Net amortization of securities premiums	134	90
Amortization of core deposit intangible	34	34
Amortization of deferred net loan costs	15	
Securities impairment charge	393	33
Net realized gains on sales of securities	(33)	(14)
Gains on sales of other assets	(52)	(1)
Earnings on bank owned life insurance and annuities	(382)	(334)
Gain from life insurance proceeds	(179)	
Deferred income tax expense (credit)	(66)	58
Equity in earnings of unconsolidated subsidiary, net of dividends of \$0 and \$127	(152)	(9)
Stock-based compensation expense	36	30
Increase in accrued interest receivable and other assets	(1,682)	(1,321)
(Decrease) increase in accrued interest payable and other liabilities	(46)	378
Net cash provided by operating activities	3,093	3,532
Investing activities:		
Purchases of:		
Securities available for sale	(35,217)	(44,034)
Securities held to maturity		(3,955)
FHLB stock	(732)	(132)
Premises and equipment	(682)	(200)
Bank owned life insurance and annuities	(90)	(106)
Proceeds from:		
Sales of securities available for sale		591
Maturities of and principal repayments on securities available for sale	29,733	19,396
Maturities of securities held to maturity		2,500
Redemption of FHLB stock		108
Bank owned life insurance and annuities	55	57
Life insurance claims	437	
Sale of other real estate owned	288	243
Sale of other assets	322	
Net decrease in interest-bearing time deposits	200	135
Net (increase) decrease in loans receivable	(19,180)	6,969

Net cash used in investing activities	(24,866)	(18,428)
Financing activities:		
Net increase in deposits	4,415	10,524
Net increase in short-term borrowings and securities sold under agreements to repurchase	7,747	1,798
Issuance of long-term debt	5,000	
Cash dividends	(2,416)	(3,417)
Purchase of treasury stock	(1,518)	(557)
Treasury stock issued for employee stock plans	78	47
Net cash provided by financing activities	13,306	8,395
Net decrease in cash and cash equivalents	(8,467)	(6,501)
Cash and cash equivalents at beginning of period	20,524	17,778
Cash and cash equivalents at end of period	\$ 12,057	\$ 11,277
Supplemental information:		
Interest paid	\$ 7,190	\$ 8,255
Income taxes paid	\$ 1,625	\$ 1,405
Supplemental schedule of noncash investing and financing activities:		
Transfer of loans to other real estate owned	\$	\$ 153
Transfer of fixed asset to other assets	45	
See accompanying notes to consolidated financial statements.		

Juniata Valley Financial Corp. and Subsidiary