

SUSSEX BANCORP  
Form 10-Q  
August 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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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, 2015

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.)

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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 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 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  
(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 Act). Yes No

As of August 6, 2015 there were 4,646,388 shares of common stock, no par value, outstanding.



SUSSEX BANCORP

FORM 10-Q

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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  
(Unaudited)

(Dollars in Thousands)	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks	\$ 2,699	\$ 2,953
Interest-bearing deposits with other banks	4,074	2,906
Cash and cash equivalents	6,773	5,859
Interest bearing time deposits with other banks	100	100
Securities available for sale, at fair value	93,879	77,976
Securities held to maturity, at amortized cost (fair value of \$6,132 and \$6,190 at June 30, 2015 and December 31, 2014, respectively)	5,982	6,006
Federal Home Loan Bank Stock, at cost	3,624	3,908
Loans receivable, net of unearned income	479,069	471,973
Less: allowance for loan losses	5,752	5,641
Net loans receivable	473,317	466,332
Foreclosed real estate	3,943	4,449
Premises and equipment, net	8,886	8,650
Accrued interest receivable	1,912	1,796
Goodwill	2,820	2,820
Bank-owned life insurance	12,368	12,211
Other assets	6,393	5,808
Total Assets	\$ 619,997	\$ 595,915
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 90,490	\$ 70,490
Interest bearing	397,228	387,780
Total deposits	487,718	458,270
Short-term borrowings	7,200	23,500
Long-term borrowings	56,000	46,000
Accrued interest payable and other liabilities	4,513	4,029

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Junior subordinated debentures	12,887	12,887
Total Liabilities	568,318	544,686
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Common stock, no par value, 10,000,000 shares authorized; 4,705,630 and 4,673,789 shares issued and 4,646,388 and 4,662,606 shares outstanding at June 30, 2015 and December 31, 2014, respectively	35,738	35,553
Treasury stock, at cost; 59,242 and 11,183 shares at June 30, 2015 and December 31, 2014, respectively	(592)	(59)
Retained earnings	17,028	15,566
Accumulated other comprehensive (loss) income	(495)	169
Total Stockholders' Equity	51,679	51,229
Total Liabilities and Stockholders' Equity	\$ 619,997	\$ 595,915
See Notes to Unaudited Consolidated Financial Statements		

SUSSEX BANCORP  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(Unaudited)

(Dollars in thousands except per share data)	Three Months		Six Months Ended	
	Ended June 30, 2015	2014	June 30, 2015	2014
<b>INTEREST INCOME</b>				
Loans receivable, including fees	\$ 5,275	\$ 4,800	\$ 10,447	\$ 9,423
Securities:				
Taxable	302	214	569	431
Tax-exempt	221	255	429	509
Interest bearing deposits	3	4	7	7
Total Interest Income	5,801	5,273	11,452	10,370
<b>INTEREST EXPENSE</b>				
Deposits	438	415	854	805
Borrowings	380	361	760	709
Junior subordinated debentures	54	52	107	105
Total Interest Expense	872	828	1,721	1,619
Net Interest Income	4,929	4,445	9,731	8,751
<b>PROVISION FOR LOAN LOSSES</b>	200	400	505	853
Net Interest Income after Provision for Loan Losses	4,729	4,045	9,226	7,898
<b>OTHER INCOME</b>				
Service fees on deposit accounts	213	265	426	529
ATM and debit card fees	201	185	375	352
Bank-owned life insurance	79	82	157	165
Insurance commissions and fees	736	696	1,891	1,669
Investment brokerage fees	41	37	63	68
Net gain on sales of securities	88	94	256	94
Net gain on sale of premises and equipment	8	-	8	-
Other	135	99	226	172
Total Other Income	1,501	1,458	3,402	3,049
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	2,789	2,441	5,569	4,859

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Occupancy, net	443	397	920	850
Data processing	429	432	783	812
Furniture and equipment	214	112	424	276
Advertising and promotion	90	78	160	122
Professional fees	173	211	319	364
Director fees	147	105	313	242
FDIC assessment	124	175	248	351
Insurance	68	72	120	148
Stationary and supplies	49	52	105	107
Loan collection costs	59	169	156	246
Net expenses and write-downs related to foreclosed real estate	35	161	199	261
Other	302	332	676	567
Total Other Expenses	4,922	4,737	9,992	9,205
Income before Income Taxes	1,308	766	2,636	1,742
EXPENSE FOR INCOME TAXES	424	159	800	457
Net Income	884	607	1,836	1,285
<b>OTHER COMPREHENSIVE INCOME:</b>				
Unrealized (losses) gains on available for sale securities arising during the period	(1,166)	1,636	(850)	3,353
Reclassification adjustment for net gain on securities transactions included in net income	(88)	(94)	(256)	(94)
Income tax benefit (expense) related to items of other comprehensive income	502	(617)	442	(1,304)
Other comprehensive (loss) income, net of income taxes	(752)	925		