

ORRSTOWN FINANCIAL SERVICES INC

Form 10-Q

November 07, 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 - Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

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 33-18888

ORRSTOWN FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Commonwealth of Pennsylvania
(State or other jurisdiction of

incorporation or organization)

23-2530374
(I.R.S. Employer

Identification No.)

77 East King Street, P.O. Box 250, Shippensburg, Pennsylvania

17257

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(Address of principal executive offices)

(717) 532-6114

(Zip Code)

(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 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 an large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of September 30, 2007, 6,421,302 shares of common stock, no par value, of the registrant were outstanding.

Table of Contents

ORRSTOWN FINANCIAL SERVICES, INC.

INDEX

	Page
<u>Part I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Condensed consolidated balance sheets September 30, 2007 and December 31, 2006</u>	3
<u>Condensed consolidated statements of income Three months ended September 30, 2007 and 2006</u>	4
<u>Condensed consolidated statements of income Nine months ended September 30, 2007 and 2006</u>	5
<u>Condensed consolidated statements of comprehensive income Three months & nine months ended September 30, 2007 and 2006</u>	6
<u>Condensed consolidated statements of cash flows Nine months ended September 30, 2007 and 2006</u>	7
<u>Notes to condensed consolidated financial statements</u>	8 - 10
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11 - 17
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	18
Item 4. <u>Controls and Procedures</u>	18
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	19
Item 1A. <u>Risk Factors</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	19
Item 3. <u>Defaults upon Senior Securities</u>	20
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	20
Item 5. <u>Other Information</u>	20
Item 6. <u>Exhibits</u>	20
<u>SIGNATURES</u>	21
<u>EXHIBIT INDEX</u>	22

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ORRSTOWN FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)	(Unaudited) September 30, 2007	(Audited) * December 31, 2006
ASSETS		
Cash and due from banks	\$ 14,769	\$ 20,730
Federal funds sold	6,530	18,404
Cash and cash equivalents	21,299	39,134
Interest bearing deposits with banks	393	895
Member stock, at cost which approximates market value	4,706	3,850
Securities available for sale	98,034	87,543
Loans	684,430	618,827
Allowance for loan losses	(5,643)	(5,520)
Net Loans	678,787	613,307
Premises and equipment, net	22,217	19,852
Goodwill and intangible assets	21,430	21,567
Cash surrender value of life insurance	15,873	15,573
Accrued interest receivable	3,536	3,279
Other assets	5,838	4,031
Total assets	\$ 872,113	\$ 809,031
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Non-interest bearing	\$ 87,152	\$ 85,420
Interest bearing	571,719	553,299
Total deposits	658,871	638,719
Short term borrowings	59,804	41,703
Long term debt	52,250	32,440
Accrued interest payable	1,045	1,111
Other liabilities	5,877	5,670
Total liabilities	777,847	719,643
Common stock, no par value - \$.05205 stated value per share; 50,000,000 shares authorized; 6,452,676 and 6,145,049 shares issued	336	320
Additional paid - in capital	82,515	72,023
Retained earnings	12,169	16,934
Accumulated other comprehensive income	333	507
Treasury stock, 31,374 and 10,717 shares, at cost	(1,087)	(396)
Total shareholders equity	94,266	89,388

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Total liabilities and shareholders' equity	\$ 872,113	\$ 809,031
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* Condensed from audited financial statements

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents

ORRSTOWN FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in Thousands)	Three Months Ended	
	September	September
	2007	2006
INTEREST INCOME		
Interest and fees on loans	\$ 12,481	\$ 10,902
Interest and dividends on investment securities	1,020	1,031
Interest on short term investments	155	341
Total interest income	13,656	12,274
INTEREST EXPENSE		
Interest on deposits	4,924	4,083
Interest on short-term borrowings	642	558
Interest on long-term debt	405	274
Total interest expense	5,971	4,915
Net interest income	7,685	7,359
Provision for loan losses	90	36
Net interest income after provision for loan losses	7,595	7,323
OTHER INCOME		
Service charges on deposits	1,577	1,335
Other service charges	565	418
Trust department income	688	573
Brokerage income	452	323
Other income	253	140
Securities gains / (losses)	(12)	27
Total other income	3,523	2,816
OTHER EXPENSES		
Salaries and employee benefits	3,751	3,508
Occupancy and equipment	906	868
Data processing	239	239
Advertising	92	102
Other operating expense	1,232	1,148
Total other expense	6,220	5,865
Income before income taxes	4,898	4,274
Income tax expense	1,471	1,270
Net income	\$ 3,427	\$ 3,004
PER SHARE DATA		
Basic earnings per share	\$ 0.53	\$ 0.46
Diluted earnings per share	\$ 0.51	\$ 0.44

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Dividends per share	\$ 0.21	\$ 0.19
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The accompanying notes are an integral part of these condensed financial statements.

Table of Contents

ORRSTOWN FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in Thousands)	Nine Months Ended	
	September 2007	September 2006
INTEREST INCOME		
Interest and fees on loans	\$ 35,679	\$ 28,675
Interest and dividends on investment securities	3,000	2,721
Interest on short term investments	556	803
Total interest income	39,235	32,199
INTEREST EXPENSE		
Interest on deposits	14,092	9,781
Interest on short-term borrowings	1,722	1,330
Interest on long-term debt	1,216	990
Total interest expense	17,030	12,101
Net interest income	22,205	20,098
Provision for loan losses	240	108
Net interest income after provision for loan losses	21,965	19,990
OTHER INCOME		
Service charges on deposits	4,198	3,408
Other service charges	1,605	1,436
Trust department income	1,946	1,747
Brokerage income	1,191	976
Other income	620	451
Non-recurring revenue	219	0
Securities gains / (losses)	58	39
Total other income	9,837	8,057
OTHER EXPENSES		
Salaries and employee benefits	11,043	9,512
Occupancy and equipment	2,701	2,438
Data processing	657	671
Advertising	278	301
Non-recurring expense	78	0
Other operating expense	3,557	2,841
Total other expense	18,314	15,763
Income before income taxes	13,488	12,284
Income tax expense	3,978	3,636
Net income	\$ 9,510	\$ 8,648

PER SHARE DATA

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Basic earnings per share	\$ 1.48	\$ 1.41
Diluted earnings per share	\$ 1.41	\$ 1.35
Dividends per share	\$ 0.61	\$ 0.552

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents

ORRSTOWN FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in Thousands)	Three Months Ended	
	September	September
	2007	2006
COMPREHENSIVE INCOME		
Net Income	\$ 3,427	\$ 3,004
Other comprehensive income, net of tax		
Unrealized gain (loss) on investment securities available for sale	314	695
Comprehensive Income	\$ 3,741	\$ 3,699

(Dollars in Thousands)	Nine Months Ended	
	September	September
	2007	2006
COMPREHENSIVE INCOME		
Net Income	\$ 9,510	\$ 8,648
Other comprehensive income, net of tax		
Unrealized gain (loss) on investment securities available for sale	(174)	163
Comprehensive Income	\$ 9,336	\$ 8,811

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents

ORRSTOWN FINANCIAL SERVICES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in Thousands)	Nine Months Ended	
	September	September
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,510	\$ 8,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,377	1,260
Provision for loan losses	240	108
Other, net	(784)	172
Net cash provided by operating activities	10,343	