PENNS WOODS BANCORP INC
Form 10-Q
November 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

for the Quarterly Period Ended September 30, 2016.

o Transition report pursuant to Section 13 or 15 (d) of the Exchange Act

For the Transition Period from to .

No. 0-17077
(Commission File Number)

PENNS WOODS BANCORP, INC.
(Exact name of Registrant as specified in its charter)

PENNSYLVANIA	23-2226454
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 Market Street, P.O. Box 967 Williamsport, Pennsylvania	17703-0967
(Address of principal executive offices)	(Zip Code)

(570) 322-1111
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 ý NO o

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 ý NO o

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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x

Non-accelerated filer o   Small reporting company o

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

On November 1, 2016 there were 4,734,310 shares of the Registrant's common stock outstanding.

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INDEX TO QUARTERLY REPORT ON FORM 10-Q

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements
PENNS WOODS BANCORP, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(In Thousands, Except Share Data)	September 30, 2016	December 31, 2015
ASSETS:		
Noninterest-bearing balances	$23,487	$22,044
Interest-bearing balances in other financial institutions	36,694	752
Total cash and cash equivalents	60,181	22,796
Investment securities, available for sale, at fair value	141,057	176,157
Investment securities, trading	—	73
Loans held for sale	2,160	757
Loans	1,069,480	1,045,207
Allowance for loan losses	(12,718)	(12,044)
Loans, net	1,056,762	1,033,163
Premises and equipment, net	22,985	21,830
Accrued interest receivable	3,800	3,686
Bank-owned life insurance	27,176	26,667
Investment in limited partnerships	658	899
Goodwill	17,104	17,104
Intangibles	1,889	1,240
Deferred tax asset	7,404	8,990
Other assets	6,236	6,695
TOTAL ASSETS	$1,347,412	$1,320,057
LIABILITIES:		
Interest-bearing deposits	$792,698	$751,797
Noninterest-bearing deposits	295,599	280,083
Total deposits	1,088,297	1,031,880
Short-term borrowings	11,579	46,638
Long-term borrowings	91,025	91,025
Accrued interest payable	481	426
Other liabilities	16,095	13,809
TOTAL LIABILITIES	1,207,477	1,183,778
SHAREHOLDERS’ EQUITY:		
Preferred stock, no par value, 3,000,000 shares authorized; no shares issued	—	—
Common stock, par value $8.33, 15,000,000 shares authorized; 5,006,601 and 5,004,984 shares issued	41,721	41,708
Additional paid-in capital	50,050	49,992
Retained earnings	60,889	58,038
Accumulated other comprehensive loss:		
Net unrealized gain on available for sale securities	1,489	258

Defined benefit plan	(3,980)	(4,057)
Treasury stock at cost, 272,452 and 257,852 shares	(10,234)	(9,660)
TOTAL SHAREHOLDERS' EQUITY	139,935	136,279
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,347,412	$1,320,057

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In Thousands, Except Per Share Data)	2016	2015	2016	2015
INTEREST AND DIVIDEND INCOME:				
Loans, including fees	$10,541	$ 9,862	$31,362	$28,937
Investment securities:				
Taxable	601	829	1,825	2,728
Tax-exempt	329	676	1,203	2,187
Dividend and other interest income	189	156	666	597
TOTAL INTEREST AND DIVIDEND INCOME	11,660	11,523	35,056	34,449
INTEREST EXPENSE:				
Deposits	909	800	2,624	2,328
Short-term borrowings	7	31	41	78
Long-term borrowings	497	458	1,481	1,476
TOTAL INTEREST EXPENSE	1,413	1,289	4,146	3,882
NET INTEREST INCOME	10,247	10,234	30,910	30,567
PROVISION FOR LOAN LOSSES	258	520	866	1,820
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,989	9,714	30,044	28,747
NON-INTEREST INCOME:				
Service charges	585	621	1,678	1,772
Net securities gains, available for sale	253	526	1,174	1,713
Net securities gains (losses), trading	8	(33)	54	(37)
Bank-owned life insurance	172	182	516	541
Gain on sale of loans	658	524	1,691	1,305
Insurance commissions	198	185	604	623
Brokerage commissions	290	297	817	836
Other	918	835	2,723	2,701
TOTAL NON-INTEREST INCOME	3,082	3,137	9,257	9,454
NON-INTEREST EXPENSE:				
Salaries and employee benefits	4,507	4,302	13,433	13,073
Occupancy	544	529	1,630	1,721
Furniture and equipment	662	686	2,042	1,924
Pennsylvania shares tax	220	244	698	711
Amortization of investment in limited partnerships	46	165	266	496
Federal Deposit Insurance Corporation deposit insurance	202	209	670	654
Marketing	173	160	568	434
Intangible amortization	90	73	276	235
Other	2,295	2,162	6,882	6,171
TOTAL NON-INTEREST EXPENSE	8,739	8,530	26,465	25,419
INCOME BEFORE INCOME TAX PROVISION	4,332	4,321	12,836	12,782
INCOME TAX PROVISION	1,273	957	3,307	2,630
NET INCOME	$3,059	$ 3,364	$9,529	$10,152
EARNINGS PER SHARE - BASIC AND DILUTED	$0.65	$ 0.71	$2.01	$2.12
	4,733,800	4,761,576	4,735,844	4,780,776

WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED				
DIVIDENDS DECLARED PER SHARE	$0.47	$ 0.47	$1.41	$1.41

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

(In Thousands)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net Income	$3,059	$3,364	$9,529	$10,152
Other comprehensive income (loss):				
Change in unrealized gain (loss) on available for sale securities	(276)	592	3,039	(579)
Tax effect	94	(201)	(1,032)	198
Net realized gain on available for sale securities included in net income	(253)	(526)	(1,174)	(1,713)
Tax effect	86	179	398	582
Amortization of unrecognized pension and post-retirement items	39	39	117	119
Tax effect	(13)	(13)	(40)	(40)
Total other comprehensive income (loss)	(323)	70	1,308	(1,433)
Comprehensive income	$2,736	$3,434	$10,837	$8,719

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

(In Thousands, Except Per Share Data)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance, December 31, 2014	5,002,649	$41,688	$49,896	$53,107	$(1,667)	$(7,057)	$135,967
Net income				10,152			10,152
Other comprehensive loss					(1,433)		(1,433)
Dividends declared, ($1.41 per share)				(6,736)			(6,736)
Common shares issued for employee stock purchase plan	1,723	14	63				77
Purchase of treasury stock (56,310 shares)						(2,450)	(2,450)
Balance, September 30, 2015	5,004,372	$41,702	$49,959	$56,523	$(3,100)	$(9,507)	$135,577

(In Thousands, Except Per Share Data)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS (INCOME)	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance, December 31, 2015	5,004,984	$41,708	$49,992	$58,038	$(3,799)	$(9,660)	$136,279
Net income				9,529			9,529
Other comprehensive income					1,308		1,308
Dividends declared, ($1.41 per share)				(6,678)			(6,678)
Common shares issued for employee stock purchase plan	1,617	13	58				71
Purchase of treasury stock (14,600 shares)						(574)	(574)
Balance, September 30, 2016	5,006,601	$41,721	$50,050	$60,889	$(2,491)	$(10,234)	$139,935

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
(In Thousands)	2016	2015
OPERATING ACTIVITIES:		
Net Income	$9,529	$10,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,394	2,478
Amortization of intangible assets	276	235
Provision for loan losses	866	1,820
Accretion and amortization of investment security discounts and premiums	657	644
Net securities gains, available for sale	(1,174)	(1,713)
Originations of loans held for sale	(50,824)	(41,762)
Proceeds of loans held for sale	51,112	42,588
Gain on sale of loans	(1,691)	(1,305)
Net securities (gains) losses, trading	(54)	37
Proceeds from the sale of trading securities	3,723	490
Purchases of trading securities	(3,596)	(590)
Earnings on bank-owned life insurance	(516)	(541)
Decrease in deferred tax asset	952	262
Other, net	508	(1,486)
Net cash provided by operating activities	12,162	11,309
INVESTING ACTIVITIES:		
Proceeds from sales of available for sale securities	42,180	43,051
Proceeds from calls and maturities of available for sale securities	19,267	14,832
Purchases of available for sale securities	(24,040)	(26,916)
Net increase in loans	(24,548)	(87,324)
Acquisition of premises and equipment	(2,347)	(1,491)
Proceeds from the sale of foreclosed assets	486	1,613
Purchase of bank-owned life insurance	(27)	(30)
Proceeds from redemption of regulatory stock	2,644	8,801
Purchases of regulatory stock	(2,569)	(10,518)
Net cash provided by (used for) investing activities	11,046	(57,982)
FINANCING ACTIVITIES:		
Net increase in interest-bearing deposits	40,901	18,912
Net increase in noninterest-bearing deposits	15,516	4,470
Proceeds from long-term borrowings	—	30,625
Repayment of long-term borrowings	—	(10,750)
Net (decrease) increase in short-term borrowings	(35,059)	10,872
Dividends paid	(6,678)	(6,736)
Issuance of common stock	71	77
Purchases of treasury stock	(574)	(2,450)
Net cash provided by provided by financing activities	14,177	45,020
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,385	(1,653)
CASH AND CASH EQUIVALENTS, BEGINNING	22,796	19,908

CASH AND CASH EQUIVALENTS, ENDING			$60,181	$18,255
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Interest paid	$4,091	$3,803		
Income taxes paid	3,050	2,000		
Transfer of loans to foreclosed real estate	83	340		

See accompanying notes to the unaudited consolidated financial statements.

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PENNS WOODS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements include the accounts of Penns Woods Bancorp, Inc. (the “Company”) and its wholly-owned subsidiaries: Woods Investment Company, Inc., Woods Real Estate Development Company, Inc., Luzerne Bank, and Jersey Shore State Bank (Jersey Shore State Bank and Luzerne Bank are referred to together as the “Banks”) and Jersey Shore State Bank’s wholly-owned subsidiary, The M Group, Inc. D/B/A The Comprehensive Financial Group (“The M Group”). All significant inter-company balances and transactions have been eliminated in the consolidation.

The interim financial statements are unaudited, but in the opinion of management reflect all adjustments necessary for the fair presentation of results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The accounting policies followed in the presentation of interim financial results are the same as those followed on an annual basis. These policies are presented on pages 40 through 48 of the Form 10-K for the year ended December 31, 2015.

In reference to the attached financial statements, all adjustments are of a normal recurring nature pursuant to Rule 10-01(b) (8) of Regulation S-X.

Note 2. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component as of September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30, 2016			Three Months Ended September 30, 2015		
(In Thousands)	Net Unrealized Gain on Available for Sale Securities	Defined Benefit Plan	Total	Net Unrealized Gain on Available for Sale Securities	Defined Benefit Plan	Total
Beginning balance	$1,838	$(4,006)	$(2,168)	$1,374	$(4,544)	$(3,170)
Other comprehensive (loss) income before reclassifications	(182)	—	$(182)	391	—	391
Amounts reclassified from accumulated other comprehensive (loss) income	(167)	26	$(141)	(347)	26	(321)
Net current-period other comprehensive (loss) income	(349)	26	$(323)	44	26	70
Ending balance	$1,489	$(3,980)	$(2,491)	$1,418	$(4,518)	$(3,100)
	Nine Months Ended September 30, 2016			Nine Months Ended September 30, 2015		
(In Thousands)	Net Unrealized Gain on Available	Defined Benefit Plan	Total	Net Unrealized Gain	Defined Benefit Plan	Total

	for Sale Securities			(Los) on Available for Sale Securities		
Beginning balance	$258	$(4,057)	$(3,799)	$2,930	$(4,597)	$(1,667)
Other comprehensive income (loss) before reclassifications	2,007	—	2,007	(381)	—	(381)
Amounts reclassified from accumulated other comprehensive (loss) income	(776)	77	(699)	(1,131)	79	(1,052)
Net current-period other comprehensive income (loss)	1,231	77	1,308	(1,512)	79	(1,433)
Ending balance	$1,489	$(3,980)	$(2,491)	$1,418	$(4,518)	$(3,100)

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The reclassifications out of accumulated other comprehensive loss as of September 30, 2016 and 2015 were as follows:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Consolidated Statement of Income
	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	
Net unrealized gain on available for sale securities	$ 253	$ 526	Net securities gains, available for sale
Income tax effect	(86)	(179)	Income tax provision
Total reclassifications for the period	$ 167	$ 347	Net of tax
Net unrecognized pension costs	$ (39)	$ (39)	Salaries and employee benefits
Income tax effect	13	13	Income tax provision
Total reclassifications for the period	$ (26)	$ (26)	Net of tax

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in the Consolidated Statement of Income
	Six Months Ended June 30, 2016	Nine Months Ended September 30, 2015	
Net unrealized gain on available for sale securities	$ 1,174	$ 1,713	Net securities gains, available for sale
Income tax effect	(398)	(582)	Income tax provision
Total reclassifications for the period	$ 776	$ 1,131	Net of tax
Net unrecognized pension costs	$ (117)	$ (119)	Salaries and employee benefits
Income tax effect	40	40	Income tax provision
Total reclassifications for the period	$ (77)	$ (79)	Net of tax

Note 3. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (a new revenue recognition standard). The core principle of the update is that a company will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this update specifies the accounting for certain costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operation.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This update applies to all entities that hold financial assets or owe financial liabilities and is intended to provide more useful information on the recognition, measurement, presentation, and disclosure of financial instruments. Among other things, this update (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (b) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (c) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (d) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (e) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (f) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (g) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (h) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities including not-for-profit entities and employee benefit plans within the scope of Topics 960 through 965 on plan accounting, the amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. A short-term lease is defined as one in which: (a) the lease term is 12 months or less, and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect to recognize lease payments over the lease term on a straight-line basis. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.
In March 2016, the FASB issued ASU 2016-04, Liabilities - Extinguishments of Liabilities (Subtopic 405-20). The standard provides that liabilities related to the sale of prepaid stored-value products within the scope of this Update are financial liabilities. The amendments in the Update provide a narrow scope exception to the guidance in Subtopic 405-20 to require that breakage for those liabilities be accounted for consistent with the breakage guidance in Topic 606. The amendments in this update are effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Earlier application is permitted, including adoption in an interim period. This update is not expected to have a significant impact on the Company's financial statements.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815). The amendments in this update apply to all reporting entities for which there is a change in the counterparty to a derivative instrument that has been designated as a heading instrument under Topic 815. The standards in this update clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. For all other entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. An entity has an option to apply the amendments in this update on either a prospective basis or a modified retrospective basis. Early adoption is permitted, including adoption in an interim period. This update is not expected to have a significant impact on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which changes the impairment model for most financial assets. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the ASU is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently evaluating the impact the adoption of the standard will have on the Company's financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which addresses eight specific cash flow issues with the objective of reducing diversity in practice. Among these include recognizing cash payments for debt prepayment or debt extinguishment as cash outflows for financing activities; cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage; and cash proceeds received from the settlement of bank-owned life insurance policies should be classified as cash inflows from investing activities while the cash payments for premiums on bank-owned policies may be classified as cash

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outflows for investing activities, operating activities, or a combination of investing and operating activities. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact the adoption of the standard will have on the Company's statement of cash flows.

Note 4. Per Share Data

There are no convertible securities which would affect the denominator in calculating basic and dilutive earnings per share. There are 31,000 stock options outstanding, however, since the strike price of $42.03 is greater than the average closing market price the options are not included in the denominator when calculating basic and dilutive earnings per share. Net income as presented on the consolidated statement of income will be used as the numerator. The following table sets forth the composition of the weighted average common shares (denominator) used in the basic and dilutive earnings per share computation.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average common shares issued	5,006,252	5,003,979	5,005,707	5,003,396
Weighted average treasury stock shares	(272,452)	(242,403)	(269,863)	(222,620)
Weighted average common shares and common stock equivalents used to calculate basic and diluted earnings per share	4,733,800	4,761,576	4,735,844	4,780,776

Note 5. Investment Securities

The amortized cost and fair values of investment securities available for sale at September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016			
(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale (AFS)				
U.S. Government and agency securities	$—	$ —	$ —	$—
Mortgage-backed securities	10,079	242	(62)	10,259
Asset-backed securities	1,543	—	(5)	1,538
State and political securities	60,838	1,807	(3)	62,642
Other debt securities	54,752	689	(1,228)	54,213
Total debt securities	127,212	2,738	(1,298)	128,652
Financial institution equity securities	9,822	951	—	10,773
Other equity securities	1,767	13	(148)	1,632
Total equity securities	11,589	964	(148)	12,405

Total investment securities AFS	$138,801	$ 3,702	$ (1,446)	$141,057

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	December 31, 2015			
		Gross	Gross	
	Amortized	Unrealized	Unrealized	Fair
(In Thousands)	Cost	Gains	Losses	Value
Available for sale (AFS)				
U.S. Government and agency securities	$3,586	$ —	$ (37)	$3,549
Mortgage-backed securities	9,785	284	(60)	10,009
Asset-backed securities	1,960	—	(20)	1,940
State and political securities	84,992	1,797	(234)	86,555
Other debt securities	59,832	185	(2,245)	57,772
Total debt securities	160,155			