

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**  
SEC Accession No. **0000950144-99-009137**

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### FILER

#### **VALRICO BANCORP INC**

CIK: **942789** | IRS No.: **650553757** | State of Incorpor.: **FL** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-26562** | Film No.: **99670699**  
SIC: **6022** State commercial banks

Mailing Address  
*1815 EAST STATE RD 60  
VALRICO FL 33594*

Business Address  
*1815 EAST STATE RD 60  
VALRICO FL 33594  
8136891231*

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1999

COMMISSION FILE NUMBER 33 ACT FILE NO. -33-90524  
-----

VALRICO BANCORP, INC.  
-----

(Exact name of registrant as specified in its Charter)

(FLORIDA)  
-----

(State of other jurisdiction of  
incorporation of organization)

65-0553757  
-----

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

1815 EAST STATE ROAD 60, VALRICO, FLORIDA 33594  
-----

(Address of principal executive offices and Zip Code)

(813) 689-1231  
-----

(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.

(1) Yes  (2) No

AS OF June 30, 1999, THERE WERE 308,707 SHARES OF COMMON STOCK OUTSTANDING

VALRICO BANCORP, INC.

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<CAPTION>

<S>

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VALRICO BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS

&lt;TABLE&gt;

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	June 30, 1999	December 31, 1998
	----- <C>	----- <C>
Assets		
Cash and Non Interest Bearing Deposits	\$ 4,922,649	\$ 4,454,308
Federal Funds Sold	15,872,000	6,356,000
Securities Available for Sale	5,873,592	6,782,714
Securities Held to Maturity	1,920,580	2,049,431
Loans	53,341,851	55,694,340
Facilities	3,548,795	3,404,642
Other Real Estate	101,574	101,574
Accrued Interest Receivable	447,421	478,788
Other Assets	1,365,673	1,362,786
	-----	-----
Total Assets	87,394,134	\$80,684,583
	=====	=====
Liabilities		
Deposits:		
Demand Deposits	\$ 14,849,871	\$12,704,041
NOW Accounts	15,038,058	14,354,403
Money Market Accounts	5,522,983	6,206,633
Savings Accounts	9,864,461	8,128,151
Time, \$100,000 and over	9,881,640	6,990,780
Other Time Deposits	21,882,986	22,121,392
	-----	-----
Total Deposits	77,039,999	70,505,400
Federal Funds Purchased	2,000,000	2,000,000
Securities Sold Under the Agreement to Repurchase	475,843	646,409
Accounts Payable and Accrued Liabilities	734,884	886,853
Mortgage Payable	1,195,336	1,222,196
Loan Payable	799,950	499,950
	-----	-----
Total Liabilities	82,246,012	75,760,808
	-----	-----
Commitments and Contingencies		
Stockholders Equity		
Common Stock, No Par Value, Authorized 1,000,000 shares, issued and outstanding 308,707 on June 30, 1999 Issued and outstanding 307,790 on Dec. 31, 1998	308,707	307,790
Capital Surplus	2,584,410	2,566,070
Retained Earnings	2,326,155	2,041,125
Net Unrealized Holding Losses on Securities	(71,150)	8,790
	-----	-----
Total Stockholders Equity	5,148,122	4,923,775
	-----	-----
Total Liabilities and Stockholders Equity	\$ 87,394,134	\$80,684,583
	=====	=====

&lt;/TABLE&gt;

VALRICO BANCORP, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

<TABLE> <CAPTION>	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Interest Income				
Interest and Fees on Loans	\$1,283,305	\$1,187,537	\$2,564,458	\$2,331,608
Interest on Investment Securities	115,642	114,180	236,674	236,108
Income on Federal Funds Sold	139,708	86,768	228,326	105,731
Total Interest Income	1,538,655	1,388,485	3,029,458	2,673,447
Interest Expense				
Interest on Deposits	551,755	466,233	1,091,024	913,809
Interest on Federal Funds Purchased And Securities Sold under agreement to Repurchase	72,249	72,669	144,303	123,922
Total Interest Expense	624,004	538,902	1,235,327	1,037,731
Net Interest Income	914,651	849,583	1,794,131	1,635,716
Provision for Loan Losses	29,000	54,000	53,000	102,000
Net Interest Income after Provision for loan losses	885,651	795,583	1,741,131	1,533,716
Other Income:				
Service Charge on Deposit Accounts	179,322	141,383	332,115	276,984
Miscellaneous Income	26,512	26,206	52,389	47,297
Total Other Income	205,834	167,589	384,504	324,281
Other Expenses:				
Salaries and Employee Benefits	442,921	354,302	853,355	716,045
Occupancy Expense	86,657	63,884	178,626	130,249
Equipment Expense	76,141	76,866	164,162	142,321
Stationary, Printing, and Supplies	32,806	26,218	74,204	54,087
Miscellaneous Expenses	199,929	186,498	393,955	370,472
Total Other Expenses	838,454	707,768	1,664,302	1,413,174
Income Before Income Taxes	253,031	255,404	461,333	444,823
Income Taxes	100,700	100,500	175,700	167,000
Net Income	\$ 152,332	\$ 154,904	\$ 285,634	\$ 277,823
Per share Information:				
Average Shares Outstanding	307,762	298,465	307,762	298,465
Net Income Per Share	\$ 0.49	\$ 0.52	\$ 0.93	\$ 0.93

&lt;/TABLE&gt;

See accompanying notes to Consolidated Financial Statements

VALRICO BANCORP, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(UNAUDITED)

<TABLE>  
<CAPTION>

	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS	NET UNREALIZED HOLDING LOSSES ON SECURITIES	TOTAL STOCK HOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1998	\$ 307,790	\$ 2,566,070	\$ 2,040,521	\$ 8,790	\$4,923,171
Net Income			285,634		285,634
Stock Redemption	917	18,340			19,257
Net Change in Net Unrealized holding losses on securities				(79,940)	(79,940)
Balance, June 30, 1999	\$ 308,707	\$ 2,584,410	\$ 2,326,155	\$ (71,150)	\$5,148,122
Balance, December 31, 1997	\$ 299,115	\$ 2,431,145	\$ 1,563,242	\$ (8,907)	\$4,284,595
Net Income			277,823		277,823
Stock Redemption	(1,300)	(62,142)			(63,442)
Net Change in Net Unrealized holding losses on securities				(17,853)	(17,853)
Balance, June 30, 1998	\$ 297,815	\$ 2,369,003	\$ 1,841,065	\$ (26,760)	\$4,481,123

</TABLE>

See accompanying notes to Consolidated Financial Statements

VALRICO BANCORP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
<S>	<C>	<C>
Cash Flows from Operating Activities		
Net Income	\$ 285,634	\$ 277,823
Adjustments to Reconcile net income to net Cash provided by (used in) operating activities:		
Provision for Loan Losses	53,000	102,000
Depreciation and amortization	151,470	134,987
Net amortization (accretion) of investments		
Security premiums and discounts	4,552	4,546
(Increase) Decrease in assets:		
Accrued Interest Receivable	31,368	54,661
Other Assets	(2,887)	(109,800)
Increase (Decrease) in liabilities		
Accounts payable and Accrued Liabilities	(151,699)	139,957

Net Cash provided by (used in) operating Activities	371,438	604,174
Cash flows from investing activities Securities available for sale:		
Purchase of investment securities	--	--
Proceeds from maturities of investment securities	785,860	837,081
Securities to be Held to Maturity:		
Proceeds from maturities of investment securities	131,187	235,068
(Increase) Decrease in Deferred income tax	--	--
(Increase) Decrease in Federal Funds Sold	(9,516,000)	(7,419,000)
Net (Increase) Decrease in Loans	2,330,054	(961,037)
Purchase of facilities	(290,628)	(59,095)
Proceeds from the sale of Other Real Estate	--	22,738
Net Cash provided by (used in) Investing Activities	(6,559,527)	(7,344,245)
Cash flows from financing activities:		
Increase (Decrease) in deposits	6,534,599	6,748,783
Increase (Decrease) in Federal funds purchased	--	128,000
Net increase (Decrease) in securities sold under agreement to repurchase	(170,566)	393,057
Net increase (Decrease) in notes payable	273,140	(24,498)
Sale (redemption) of Common Stock	(19,257)	(16,000)
Net Cash Provided by (used by) financing activities	6,656,430	7,229,342
Net increase (decrease) in cash	468,341	488,941
Cash, beginning of period	4,454,308	3,516,862
Cash, ending of period	\$ 4,922,649	\$ 4,005,803

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid during the period for:

Interest	\$ 1,195,991	\$ 1,068,328
Income taxes	\$ 527,499	\$ 34,387

</TABLE>

See accompanying notes to Consolidated Financial Statements

VALRICO BANCORP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
June 30, 1999

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles. In the opinion of management, all necessary adjustments (consisting of normal recurring entries) have been made for a fair presentation of the accompanying unaudited consolidated financial statements. These financial statements rely, in part, on estimates. The results for the period are not necessarily indicative of the results to be expected for the entire year.

Valrico Bancorp, Inc., a one-bank holding company, acquired 100% of the common stock of Valrico State Bank as of May 31, 1995 in a transaction accounted for similar to a pooling of interests. Therefore, the unaudited consolidated financial statements include the accounts of Valrico Bancorp, Inc. (the Company) and its wholly owned subsidiary, Valrico State Bank (the Bank). Significant intercompany balances and transactions have been eliminated in consolidation.

Net income per share has been computed by dividing net income by the average number of common shares outstanding of 307,762 as of June 30, 1999, and 298,465

## VALRICO BANCORP, INC.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

The Company's primary asset is its subsidiary bank, which is in its tenth year of operation. During the six months ended June 30, 1999, the Bank experienced a growth in deposits with an increase of \$6,534,599 or 9.27%. Time over \$100,000 Accounts had the highest percentage of growth at 41.35%, or an increase of \$2,890,860 in the six months ended June 30, 1999. This increase is primarily due to one customer holding approximately \$2,000,000 in the institution for the purposes of a public park construction project.

Outstanding Loans decreased \$2,428,593 or 4.49% for the six months ended June 30, 1999. The allowance for credit losses at June 30, 1999 was at \$764,890 compared to \$776,382 at December 31, 1998. The Bank had \$66,711 in charge-offs and had recoveries in the amount of \$2,219 during the six months ended June 30, 1999, and has loan classified as troubled in the amount of \$167,414 as of June 30, 1999. A total of \$53,000 was expensed for provision for loan losses during the period. Management considers the allowance to be adequate at this time.

Nonaccrual loans amounted to \$0 and \$100,874 at June 30, 1999 and 1998, respectively. Loans 90 days or more past due amounted to \$46,812 and \$25,000 at June 30, 1999 and 1998, respectively. There were restructured loans in the amount of \$52,340 and \$55,224 at June 30, 1999 and 1998, respectively. The following table sets forth a summary of loan loss experience:

## Analysis of the Allowance for Loan Losses

&lt;TABLE&gt;

&lt;CAPTION&gt;

	June 30, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Balance at Beginning of Period	\$ 776,382	\$ 576,347
	-----	-----
Charge-offs:		
Commercial, Financial and Agricultural	43,835	--
Real Estate-Construction	--	--
Real Estate-Mortgage	--	--
Installment Loans to Individuals	22,876	23,672
Lease Financing	--	--
	-----	-----
Total Charge-offs	66,711	23,672
	-----	-----
Recoveries:		
Commercial, Financial and Agricultural	1,826	4,962
Real Estate-Construction	--	--
Real Estate-Mortgage	--	--
Installment Loans to Individuals	393	8,745
Lease Financing	--	--
	-----	-----
Total Recoveries	2,219	13,707
	-----	-----
Net Charge-offs	(64,492)	(9,965)
Additions Charged to Operation	53,000	210,000
	-----	-----
Balance at end of Period	\$ 764,890	\$ 776,382
	=====	=====
Ratio of Net Charge-offs during the period to average loans Outstanding during the period	-0.12%	-.02%
	=====	=====

&lt;/TABLE&gt;

## VALRICO BANCORP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (CONTINUED)

Consolidated net income for the six months ending June 30, 1999 was \$285,634 or \$0.93 per share which compares to \$277,823 or \$0.93 per share for the same period in 1998. This represents an increase over the comparable quarter of \$7,811, which is attributable mostly to an increase in Federal Funds Sold.

Salaries and benefits represent 51.3% of non-interest expenses for the six months ended June 30, 1999, compared to 50.7% for the six months ended June 30, 1998. Salary expense for the six months ended June 30, 1999 increased 19.2% over the same period for 1998. This increase is primarily due to the opening of a new office location on January 22, 1999 and the addition of new support staff to cover the work of the new location.

The Tier I capital ratio was 6.58% and Total Capital ratio was 7.50% at June 30, 1999. The tier I capital to total risk-weighted assets ratio was 8.85% at June 30, 1999.

The bank has currently spent approximately \$145,000 on system and software upgrades, with the anticipation of spending an additional \$20,000. Not included in this cost were a number of computers that were replaced, not for Y2K reasons, but as a planned replacement of antiquated machines. This move was more for improved efficiency than Y2K as most of the machines replaced had already been tested for Y2K. In an attempt to head off possible losses relating to Y2K, we are setting aside \$8,000 a month until the year 2000. This reserve is for the potential loan losses as a direct result of Y2K problems, and also litigation concerns arising for Y2K. We feel that with our current loan portfolio and our current size that this provision will be sufficient to cover those losses. A review will be conducted periodically to modify this provision as needs are more recognized. Although not presently anticipated, regulatory agencies require that management disclose of the worst case scenario, or if the bank's systems fail to operate in the new year. This worst case scenario would include the interruption of normal customer service and the bank's funds management. We currently have contingency plans in effect to help to minimize the potential of this scenario and its effects to both customers and stockholders. Management will continue to review the issues related to Y2K on an ongoing basis to ensure continued compliance. Management feels that this issue is important and will prepare reviews with both internal and external auditors to prepare the bank for the year 2000.

## PART II. OTHER INFORMATION

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed for the quarter ended June 30, 1999.

Exhibit 27 - Financial Data Schedule (for SEC use only).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on June 30th, 1999 on its behalf by the undersigned thereunto duly authorized.

VALRICO BANCORP, INC.

By: \s\ Bob Mclean

-----  
Bob Mclean  
President and Chief Executive Officer

By: \s\ Jerry L. Ball

-----  
Jerry L. Ball  
Executive Vice President

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